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### Publication Date

2013

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Battle For The Bronx: Neighborhood Revitalization In a Gentrifying City

By

Catherine Claire Guimond

A dissertation submitted in partial satisfaction of the requirements for the degree of

Doctor of Philosophy

in

Geography

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Richard Walker, Chair

Professor Jake Kosek

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Fall 2013

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## Abstract

### Battle For The Bronx: Neighborhood Revitalization In a Gentrifying City

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The revitalization of the South Bronx over the last thirty years has been fundamentally shaped by contradiction and struggles over the nature of revitalization itself. In this dissertation, I develop a framework for and a history of the politics of revitalization in the South Bronx. Two conflicting visions of revitalization emerged out of the crisis of the 1970s. Radical and left-liberal visions of revitalization were based on a deep distrust of for-profit landlords and the dynamics of real estate markets inspired by the dramatic abandonment of the South Bronx by landlords and banks in the 1970s. This type of revitalization has involved the creation of alternative ownership structures and housing practices to give South Bronx residents, organizations and communities and some measure of autonomy from external forces causing poverty, exploitation and housing abandonment. A more politically moderate vision of revitalization influenced by the city's neoliberal turn after the fiscal crisis of 1974-5 advocates the repair of real estate markets with subsidies and appropriate regulation so that the power of the private sector can be harnessed to rebuild devastated neighborhoods, and so those neighborhoods can benefit the city through tax revenues and housing for workers and the homeless. This largely state-sponsored form of revitalization has involved the creation of flows of capital through government subsidies, fostering the growth of a responsible for-profit landlord class, and facilitating complex public-private partnerships to produce affordable housing.

Both of these strands of revitalization were included in the institutions the New York City government developed in the late 1970s to revitalize devastated neighborhoods. Radical forms of revitalization have been included because there were few alternatives in neighborhoods abandoned by landlords and banks. Policymakers often preferred working with for-profit actors when and where possible, and the moderate vision of revitalization has gained ground over the last thirty years.

A Bronx-specific revitalization was proposed by Bronx officials, planners and boosters in the late 1980s to reverse the tendency for the Bronx to be used as a regional dumping ground for unwanted people and uses. To achieve this, Bronx planners proposed transformative, large-scale redevelopment, including the redevelopment of the residential neighborhood of Melrose Commons. Melrose residents would have been displaced by the original plan, but they protested, organized very effectively, and demanded to be included in the prosperity finally planned for

their neighborhood. Because the Bronx revitalization coalition was internally contradictory, the resident activists and planning professionals were able to develop a collaborative planning process. They proposed a hybrid revitalization where existing Melrose residents were the basis for future growth. This struggle brought to the fore the question of whether existing Bronx residents would be the basis of revitalization, or if their removal would be.

Struggles around revitalization are structured by the funding mechanisms that provide the capital needed. Because those funding mechanisms are constructed, they are a potential site of struggle. In the 1990s, a flow of capital into revitalization was created by forging a relationship between the financial industry and affordable housing development through the Community Reinvestment Act and the Low Income Housing Tax Credit. The systematization of this flow of capital has contributed to the alienation of revitalization from South Bronx residents and organizations, and it has become a site of contestation.

Like gentrification, the revitalization of the South Bronx has been a part of the return of capital, people and industry to the city. My dissertation begins to answer the question of how revitalization and gentrification relate to each other by examining the politics of revitalization, specifically the extent to which South Bronx residents, especially poor and working class residents, are able to shape revitalization efforts and fight their own displacement.

## Table of Contents

<b>LIST OF ABBREVIATIONS USED .....</b>	<b>III</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>V</b>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>CHAPTER 1: THE ABANDONMENT OF THE SOUTH BRONX.....</b>	<b>8</b>
NATIONAL PHENOMENA: DEINDUSTRIALIZATION, DISINVESTMENT AND SUBURBANIZATION .....	12
THE ABANDONMENT OF THE SOUTH BRONX.....	13
THE GEOGRAPHY OF ABANDONMENT AND THE MAKING OF THE SOUTH BRONX.....	17
THE LEGACY OF ABANDONMENT AND CRISIS.....	20
<b>CHAPTER 2: LOCAL REVITALIZATION EFFORTS IN THE MIDST OF CRISIS.....</b>	<b>22</b>
RADICAL HOUSING PRACTICES EMERGE OUT OF CRISIS .....	24
DEVELOPING RADICAL HOUSING PRACTICES .....	29
THE MIXED BLESSING OF STATE SUPPORT .....	34
RISE OF THE COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING INDUSTRIES .....	39
ESTABLISHING LIBERAL AND RADICAL VISIONS OF REVITALIZATION .....	44
<b>CHAPTER 3: THE RISE OF A CITY-SPONSORED REVITALIZATION COMPLEX.....</b>	<b>46</b>
DEVELOPMENT OF IN REM PROGRAMS .....	49
THE TEN YEAR PLAN.....	59
REVITALIZATION SHIFTS TOWARD THE RETURN OF CAPITAL .....	71
<b>CHAPTER 4: PLANNING AND COMMUNITY IN THE REVITALIZATION OF THE SOUTH BRONX.....</b>	<b>74</b>
A LIBERAL REVITALIZATION IN THE BRONX .....	76
THE STRUGGLE FOR COMMUNITY PLANNING AND AN ALTERNATIVE URBAN RENEWAL PLAN .....	86
A HYBRID REVITALIZATION.....	98
THE BEGINNINGS OF DEVELOPMENT.....	105
<b>CHAPTER 5: THE MAKING OF A FLOW OF CAPITAL INTO REVITALIZATION .....</b>	<b>108</b>
THE MAKING OF A “FLOW” OF CAPITAL INTO REVITALIZATION .....	112
LIHTCS DURING BOOM AND CRISIS.....	123
THE INFLUENCE OF LIHTCS ON REVITALIZATION .....	128
<b>CONCLUSION .....</b>	<b>140</b>

*For my father and mother, who taught me how to think*

## List of Abbreviations Used

AHF	Affordable Housing Finance, an industry periodical
AMI	Area median income
ANHD	Association of Neighborhood Housing Developers
CDBG	Community Development Block Grant
CDC	Community Development Corporation
CETA	Comprehensive Employment and Training Act
CHPC	Citizens Housing and Planning Council
CMP	Community Management Program
CRA	Community Reinvestment Act
DAMP	Department of Alternative Management Programs
DCP	Department of City Planning, New York City planning department
FHA	Federal Housing Administration
HDA	Housing Development Administration, New York City housing department until 1978/9
HJC	Housing Justice Campaign
HPD	Department of Housing Preservation and Development, New York City housing department since 1978/9
HUD	Department of Housing and Urban Development; federal
HUD	U.S. Department of Housing and Urban Development
LIHTC	Low Income Housing Tax Credit
LISC	Local Initiatives Support Corporation
LISC	Local Initiatives Support Corporation
LULU	Locally unwanted land use
MFI	Median family income
MIPP	Management In Partnership Program
NEF	National Equity Fund (subsidiary of LISC)
NYC	New York City
NYEF	New York Equity Fund
PDC	People's Development Corporation



POMP	Private Ownership and Management Program
RPA	Regional Plan Association
SEBCO	South East Bronx Community Organization
SRO	Single Room Occupancy hotel
TIL	Tenant Interim Lease Program
UHAB/ U-HAB	Urban Homesteading Assistance Board
URA	Urban Renewal Area
URP	Urban Renewal Plan; usually used in this text to refer to the Melrose Commons Urban Renewal Plan

## Acknowledgements

It has been a great privilege to write this dissertation, and I cannot thank the people who helped me enough. My committee, Richard Walker, Jake Kosek and Waldo Martin, have been extraordinary. They have left me alone when I needed to stew in my creative juices, and they have been there for me when I needed them. I especially want to thank DW — you may not know it, but you helped crystallize my view of the world and have been an intellectual role model. Courses and conversations with Gill Hart, Michael Watts, and Donald Moore also contributed deeply to my ability to understand and interpret the world around me.

Dissertating is a lonely process, but I have been lucky to have cheerleaders in many areas of my life. Alex Tarr and Sarah Knuth read and commented on every word, bless them. The collective wisdom of the online community at Phinished.org has carried me through the writing process. The friends who stuck with me through the good times and the hard times warm my heart, even if I don't have time to see them: Shirali Pandya, Sisi Chen, Jenny Greenburg, Noelle Cole, Danila Coppola and many more. The wonderful community at the Berkeley Zen Center has given me their steadfast and gentle support in silence and conversation.

I owe the greatest debt to the people I met in the Bronx. Some contacts were fleeting, conversations on a bus or in a cab. Some extended across hours of interviews, and many of my “informants” became friends and supporters. This dissertation is my attempt to do justice to the inspiration, insight and friendship of the many passionate Bronxites and New Yorkers who helped me with my research.

Lastly, my family has been my greatest support. My partner Ken told me “you can do it!” at every possible opportunity and suffered through the stress with me. My sister Laura was an indefatigable cheerleader and offered balanced and sane advice when I needed it. My mother and father were with me every step of the way, reading and commenting on every draft, talking me through bureaucratic complexities, and believing in me every moment. I am so grateful that you were here on this journey with me. We did this together.

## Introduction

Over the last thirty years, the South Bronx has been transformed from a national symbol of urban dystopia into a series of ordinary working class neighborhoods. Neighborhoods where you could not escape the smell of smoke and buildings where residents once slept on the stoop to prevent the landlord from burning the building down are now sites of everyday dramas of rent increases and applying to live in the new affordable housing projects built on vacant lots. Hundreds of buildings that were abandoned by their landlords have been rehabilitated or replaced by tidy new row houses and mid-rise apartment buildings. Real estate markets that had collapsed are now relatively stable, and in some areas there is even speculation based on hopes for gentrification. The South Bronx has become a site of ordinary struggles around urban space rather than the high drama of urban crisis.

This transformation from crisis-induced dystopia to ordinary, functional neighborhoods has been the work of urban revitalization. For the purposes of this study, I define revitalization as the process through which neighborhoods devastated economically, socially and physically by urban crisis in the 1970s have since recovered.<sup>1</sup> Revitalization is a relational term rather than a clearly bounded concept: it is always understood in terms of the devastation that came before, and its success or failure is defined by whether the conditions of crisis have been transformed. Revitalization is often state-led, a project of a municipal government attempting to deal with the withdrawal of capital.

The term revitalization suggests that a judicious nudge is being given to otherwise-natural processes — to life — but revitalization is in fact the result of intentional work. An immense amount of work has gone into creating an ordinary South Bronx, from tenants forming cooperatives when their landlords abandoned their buildings, to the city government's creative use of federal subsidies and its own capital funds to entice capital into devastated neighborhoods. The relations and processes that made South Bronx neighborhoods function in the first half of the twentieth century were destroyed by deindustrialization, suburbanization, and bank disinvestment. New relations and processes had to be created or adapted, and this has been the work of revitalization.

I argue that revitalization has been fundamentally shaped by contradiction and conflict, specifically struggles over the nature of revitalization itself. Revitalization, and the devastation that preceded it, are transformations of social relations and sites of political struggle along lines of class and race. This manifested in divergent understandings of the causes of devastation and contradictory visions of revitalization. Was the inherent instability and exploitation of capitalism, especially when it comes to housing for the working class, to blame? Or was the ultimate cause of the crisis the poverty of South Bronx residents and the growing gap between tenant incomes and housing costs?

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<sup>1</sup> I do not use the term renewal because revitalization efforts since the 1970s have been defined in opposition to the urban renewal of the 1960s. Revitalization is similar to the urban renewal of the 1960s in its relationship with devastation or “blight,” but it is also shaped by the resistance incited by urban renewal's top-down planning and racism.

Radical and left-liberal visions of revitalization are based on a deep distrust of for-profit landlords and the dynamics of real estate markets. In this vision of crisis and revitalization, the private sector simply cannot be trusted to provide decent housing for working class and poor people. This kind of revitalization has involved the creation of alternative ownership structures and housing practices to give South Bronx residents, organizations and communities some measure of autonomy from the external forces causing poverty, exploitation and housing abandonment. This has manifested as the formation of tenant cooperatives, sweat equity groups rehabilitating and moving into vacant buildings, ownership of landlord-abandoned buildings by non-profit housing organizations, local organizations becoming community developers, and struggles for community planning.

Juxtaposed to the vision of residents and advocates radicalized by crisis, a more politically moderate and conventionally liberal vision of revitalization advocates the repair of real estate markets with subsidies and appropriate regulation so that the power of the private sector can be harnessed to rebuild devastated neighborhoods, and so those neighborhoods can benefit the city through tax revenues and housing for workers and the homeless. In this model, the return of both capital and middle class residents is essential to the stability of the South Bronx. This largely state-sponsored form of revitalization has involved the creation of flows of capital through government subsidies, fostering the growth of a responsible for-profit landlord class, large scale planning and projects intended to transform the South Bronx's image, and facilitating complex public-private partnerships to produce affordable housing. This vision of revitalization has gained ground over the last thirty years, and the more radical vision of revitalization as the protection and autonomy of the housing of working class and poor residents from real estate markets has become more difficult to implement.

The city agencies that coordinate and subsidize revitalization and the political coalitions that promote it are often internally contradictory, encompassing both radical and moderate approaches to revitalization. Radical forms of revitalization have been supported by the local state because there have been few alternatives in neighborhoods abandoned by landlords and banks. Many times the two types of revitalization depend on each other. Tenant cooperatives and sweat equity organizations depend on state funding. Community organizations have been essential to bringing state funding programs to devastated neighborhoods because they will take risks in their neighborhoods when for-profit actors are hesitant. Revitalization is contradictory and itself a site of struggle.

In this dissertation, I chart struggles within and over the revitalization of the South Bronx, from the devastation of the South Bronx in the 1970s and the first community-driven revitalization efforts made in the midst of crisis; to the formation of a City-convened revitalization complex in the 1980s that first began to turn the tide in the South Bronx and areas like it; to struggles for community self-determination and planning in the face of revitalization that threatened to displace existing residents in the 1990s; to the contribution of the financial instruments used to fund revitalization to the alienation of revitalization from South Bronx residents and organizations in the 1990s and 2000s.

## **Revitalization, gentrification and the return of capital to cities**

Many older cities in the northeast and midwest went through crises in the 1970s due to deindustrialization, disinvestment and suburbanization. But only some have experienced a return of capital, people and jobs. New York City is the most extreme case of this. At the same time that the Bronx was burning in the 1970s, city elites pushed a neoliberal restructuring of the city to shore up its world city status and encourage the growth of the financial sector (Tabb, 1982; Fitch, 1993; Freeman, 2000). Gentrification has been one of the most visible aspects of the post-crisis, neoliberal transformation of the city. Driven by both capital looking for investment in the city's real estate and the return of higher classes to the city, gentrification has transformed many neighborhoods in Manhattan, Brooklyn and Queens from working class housing and industrial uses to specialized upper class and "creative class" habitats (see Zukin, 1982; Mele, 1996; Smith, 1996; Jackson, 2001; Dávila, 2004; Osman, 2011).

The fact that the South Bronx is part of New York City, part of the same city as Wall Street, has deeply shaped the revitalization of the South Bronx. Unlike Detroit and many Rust Belt cities, in New York City capital has been available for revitalization and demand for housing has increased. And like gentrification, the revitalization of the South Bronx has been a part of the return of capital, people and industry to the city. There has been a significant amount of research in critical geography and urban studies on gentrification, and processes of gentrification have come to symbolize the transformation of cities (Smith, 1996; Smith, 2002; Lees, Slater and Wyly, 2008). There has been less focus on revitalization. But revitalization is also a significant part of the return of capital, people and industry to cities and adds to our understanding of this return as a larger phenomenon. The revitalization of poor and working class neighborhoods has been part of the transformation of the city as whole. It is part of a bid to reposition the city within a hierarchy of places, and thus fits in with urban entrepreneurialism and interurban competition (Harvey, 1989). Revitalization itself is an important site of struggle around race, class and space, and revitalizing neighborhoods are the last bastions of affordability in New York City. We must ask what the transformations wrought by revitalization mean concretely. Who has benefited, and who has not?

Revitalization must be understood in relationship with gentrification. Sometimes the relationship is reciprocal; people displaced from a gentrifying neighborhood may move to a revitalizing neighborhood, increasing housing demand. New York City policymakers attempt to compensate for rising housing costs by encouraging the construction of affordable housing in revitalizing neighborhoods. Supporters of gentrification argue that tax revenues from upper class residents finance the revitalization of poor neighborhoods.

The distinction between revitalization and gentrification is not always clear, and the difference between the two is often a matter of emphasis. Both started at roughly the same time, in the 1970s, and both are part of the return of capital, people and jobs to the city. Revitalization on a large scale is generally state-driven, but it also involves enticing capital into disinvested neighborhoods with subsidies. Gentrification is often driven by capital, but the state usually plays an important supporting role. Gentrification is often subsidized as well, though these subsidies are not generally tied to affordability restrictions (at least not in New York City). Revitalization may involve local organizations, some form of "community," but it can also cause displacement. Gentrification is defined by displacement and the replacement of lower classes

with more affluent residents. Residents excluded from revitalization efforts premised on making poor neighborhoods more middle class can experience revitalization as simply gentrification.

More important than a definitional exercise, looking at revitalization and gentrification together raises questions of how the similarities and differences between them matter politically. Poor and working class residents have had more success influencing revitalization because powerful fractions of capital have not been interested in their neighborhoods. But state revitalization policies and programs have often encouraged the return of capital and fostered the return of a for-profit landlord class, and this has caused some displacement. When and how might revitalization lay the foundation for gentrification? What can struggles around revitalization tell us about the possibilities for preventing gentrification and displacement? What makes South Bronx residents more or less likely to be excluded from or displaced by revitalization?

In this dissertation, I begin to answer these questions through an analysis of the struggles within and over revitalization. As described above, there were divisions and struggles within revitalization over whether it should emphasize South Bronx residents gaining a measure of autonomy from state and market institutions, or if it should facilitate the return of capital and real estate markets. I argue that this struggle is central to the impact of revitalization, and to whether revitalization reinforces the exclusions and displacement of gentrification or works against them.

It is not state support for the in-migration of higher income residents, the return of for-profit actors, or higher levels of capital investment that determine how exclusionary revitalization efforts will be, and thus how close they are to gentrification. These processes contribute to the most important factor in exclusion: whether South Bronx residents have control over processes of revitalization, especially poor and working class residents whose poverty is often viewed by moderate and conservative revitalizers as the cause of urban problems. The processes involved in bringing capital back to the South Bronx tend to exclude or ignore poor and working class residents, and when these residents have less say in revitalization, this tendency is unchecked. The ability of South Bronx residents to shape the transformation of the neighborhoods they live in has been affected by the weakness of conventional social relations during crisis; how politically organized residents and advocates have been; fissures in revitalization institutions that have enabled alliances; the complexity and distance of funding mechanisms; and class dynamics within the South Bronx. The chapters of my dissertation show how struggles over revitalization have made self-determination more and less possible for South Bronx residents.

Struggle and contestation come into focus in my research because I bring ethnographic methods to bear on the concerns of critical political economy. I focus on political economy to gain an understanding of the terrain underlying revitalization, the field of forces that makes particular political interventions more or less likely to succeed. By using ethnographic methods, I am able to describe not only the structures shaping this terrain but also the relations and practices that make them up, and how structures are reinforced or contested through practice.

## **A roadmap to the text**

The story of the revitalization of the South Bronx begins with its devastation in the 1970s. Poor New Yorkers of color were blamed by many for the city's crisis and the devastation of their own neighborhoods, despite the fact that they and their neighborhoods bore the brunt of the

violence caused by the abandonment of the city by industries, capital investors and many residents. In many cases these poor New Yorkers were the very ones who organized to prevent abandonment. Chapter 1 shows how the abandonment of thousands of buildings in the South Bronx by their owners was not caused by residents but instead by the abandonment of the South Bronx by industries, working and middle class white residents, and banks — the processes of deindustrialization, suburbanization and disinvestment. The departure of jobs and better off white residents meant that remaining South Bronx residents (mostly Puerto Rican and African American) were more likely to be poorly paid or jobless. This systemic racism was compounded by the individual racism of landlords and bankers who believed that people of color deserved less and did not pay their rent. Longtime practices of redlining by banks were exacerbated by deregulation in the 1960s, and local banks invested in new construction outside the city and refused to make mortgages in the Bronx. Unable to refinance their mortgages or sell their buildings for a profit, Bronx landlords turned to short-term profits, neglecting repairs and collecting rents aggressively. This led to dangerous housing conditions, and fires broke out due to under-maintenance or arson for insurance payouts.

Understanding the violence and extent of abandonment is essential to understanding the radicalization of some South Bronx residents and the necessary scope of revitalization. The foundations for both radical and moderate visions of revitalization were laid in this period. Radical revitalizers deeply distrusted market forces because the restlessness of capital had led to abandonment and for-profit landlords had shown that they would exploit and abandon working class and poor tenants. The moderate strand of revitalization, while less conservative than calls for the complete abandonment of the South Bronx and areas like it, was shaped by the neoliberal restructuring that came out of the city's fiscal crisis and emphasized the reconstitution of real estate markets and the return of for-profit landlords.

In Chapter 2, I turn to how some South Bronx residents responded to the chaos and hardship of crisis in the 1970s by working collectively to take over their housing. This included tenant cooperatives and sweat equity groups, who took over vacant abandoned buildings and rehabilitated them with their own labor. In these more radical approaches to revitalization, residents de-alienated themselves from their housing and developed radical housing practices to replace conventional processes of social reproduction that had exploited them and, ultimately, broken down. This gave them some measure of autonomy from state and market institutions and the forces causing abandonment. This autonomy was difficult to maintain in a context where radical housing groups were dependent on state and foundation funding. Pressure from funders and the City to adhere to a more conventional non-profit organizational model undermined sweat equity groups' attempts to develop radical democratic practices. At the same time, some South Bronx community groups were pioneering more moderate and liberal forms of revitalization where local groups took the place of for-profit landlords and government subsidies incentivized investing that replaced conventional bank lending. New York City agencies began to support both kinds of revitalization because there were few alternatives in the most devastated neighborhoods.

Chapter 3 is about how New York City government became an activist revitalizing state in the late 1970s and the 1980s, significantly expanding its own capacity and convening a revitalization complex that included non-profit housing organizations, for-profit firms, intermediaries and investors. The City was forced to get deeply involved in revitalization when it

took ownership of thousands of buildings in tax foreclosure proceedings in the late 1970s and the 1980s. This revitalization complex, with the City's Department of Housing Preservation and Development (HPD) at its center, worked to replace the landlord class and the banks that had abandoned the South Bronx and other devastated areas of the city. The revitalization complex included contradictory visions of revitalization: left-liberal and radical approaches that advocated protecting housing for working class and poor people from market forces, and moderate approaches that advocated the reconstitution of real estate markets, with proper regulation. Policy around City-owned buildings was as a site of struggle between left-liberal and moderate visions of revitalization. Initially, advocates of non-profit and tenant ownership were able to significantly influence City policy, in large part because there were few alternatives. But City policymakers tended to prefer disposition of City-owned buildings to for-profit owners, citing greater efficiency and lower cost. Some of this efficiency, however, was based on under-maintenance and gentrification.

Chapter 4 chronicles, first, the conflict between a Bronx-based revitalization coalition seeking to transform the Bronx through large-scale planning and redevelopment and the South Bronx residents who would have been displaced by this redevelopment; second, the collaborative community planning process that came out of this conflict; and, finally, the hybrid form of revitalization that came out the community planning process. In the late 1980s, Bronx Borough President Fernando (Freddy) Ferrer convened a revitalization coalition to develop a plan for Bronx Center, a new downtown for the Bronx. Part of this was an Urban Renewal Plan for Melrose Commons, an especially devastated area in the midst of Bronx Center. The first plan proposed to completely reinvent the neighborhood by razing what was left and building mostly homeownership housing for moderate-income households. This was supposed to transform the Bronx's negative image and act as a catalyst for increased public and private investment, countering the tendency of the Bronx to be used as a regional dumping ground for unwanted uses and people. The infusion of people of a higher class than existing Melrose residents was intended to create "socio-economic diversity" and reverse the supposed effects of the concentration of poverty.

Existing Melrose residents were invisible in the Melrose Commons plan and would have been displaced en masse. When the plan was finally presented at a community meeting, Melrose residents protested and demanded to be included in the plan and the planning process. They formed the We Stay/Nos Quedamos committee and demanded to be included in the prosperity planned for Melrose. Ferrer and the professionals implementing the Bronx Center planning process were open to activists' demands for a more inclusive planning process, and together the planning professionals and activist residents developed a community planning process. An alternative vision of revitalization came out of this process that proposed that growth and prosperity be built on existing residents' strengths and the provision of benefits to them, rather than their displacement. The Melrose activists and their allies were able to create an Urban Renewal Plan that prevented involuntary displacement and made the design of Melrose Commons more dense, urban and diverse, but much of their alternative vision of revitalization could not be codified and made enforceable in the official Urban Renewal Plan. Much of the alternative revitalization would have to be negotiated and fought for politically.

Chapter 5 charts the creation of an important flow of capital into revitalization, the federal Low Income Housing Tax Credit (LIHTC), and its effect on the revitalization of the South Bronx



in the 1990s and 2000s. “Flows” of capital are often talked about as if they are the inevitable result of almost-natural economic systems, but both flows and the system they are a part of are the result of intentional work on relationships. The LIHTC rewards low-income housing development with federal tax credits, and developers sell these credits to investors via tax credit syndicators. The Community Reinvestment Act (CRA) creates strong incentives for banks to invest where they have deposits, to prevent redlining. When CRA enforcement was increased in the 1990s, LIHTCs became banks’ preferred method of meeting the investment requirements of the CRA. This created both a flow of capital into revitalization and a strong link between revitalization and the financial industry. Affordable housing and revitalization became sites of accumulation for investors and for-profit syndicators and developers, though very regulated ones. This relationship meant that affordable housing construction boomed in the South Bronx during the boom of the early 2000s, and this looked like the success of revitalization. But in the following crisis, LIHTC investors demanded lower risk, putting smaller developers and less established neighborhoods at a disadvantage. Investors’ desire for lower risk brought revitalization closer to conventional patterns of real estate investment and disinvestment.

The creation of a flow of capital into revitalization via LIHTCs has contributed to the alienation of revitalization from South Bronx residents and organizations. The structure and complexity of LIHTCs makes developers more accountable to investors than communities, some of the key decisions relating to LIHTC development are made at the federal level, and because LIHTCs have been so successful, more development is being done by larger, citywide developers, both for-profit and non-profit, who are not based in particular communities. The effects of this alienation and the structures of LIHTCs are that many South Bronx residents do not benefit from the new housing being built in their neighborhoods. Because of the way that the low-income category is calculated — based on regional averages and inflated to compensate for the city’s high housing costs — most South Bronx residents do not make enough money to qualify as low-income. Community development corporations (CDCs) can act as a bridge between programs and residents’ needs, but this is constrained, and local organizations are becoming less influential.

## Chapter 1: The Abandonment of the South Bronx

“It happened so slowly and it happened to such an extent that I wasn’t even aware of change until one day I decided to walk around the block and found that we had no block. Then I decided to walk around the neighborhood and found that we had no neighborhood” Victor George Mair, 1979 (Goodson, 1979, p. 56).

“We will never forget what took place in the South Bronx. We will never forget the deaths of friends and family in rotting tenements, drug-infested streets, and suspect fires — some of the many ways in which our people have been killed off. We will never forget the indifference of the police and the fire departments nor how our people died in the emergency room waiting for medical attention. Most of all, we will never forget the dirty-dealing politicians who sold us out again and again. I can’t help but feel awed and proud of those of us who have survived the systematic destruction of the South Bronx... We have survived with the strength of character, with the strong will in our hearts, with the silent and spoken vows on our lips that never will we allow people to go through that misery and pain again” Ricky Flores, 1985 (quoted in Rosenthal, 2000, p. 109).

“You must concede that this Bronx slum and others in Brooklyn and Manhattan are unreparable. They are beyond rebuilding, tinkering and restoring. They must be leveled to the ground” Robert Moses, 1973 (quoted in Tolchin, 1973).

“People don’t want housing in the South Bronx, or they wouldn’t burn it down” Senator Daniel Patrick Moynihan (quoted in Weisman, 1978).



800 Fox Street, 1983. Photo by Ricky Flores (from Estrin, 2013)

Between 1970 and 1980, the Bronx lost more than 2,000 square blocks of housing to fires and clearance for urban renewal. Between 1963 and 1975, four blocks were destroyed by fire, abandonment and decay *each week* (Carrión, 2008). By 1980, the Bronx had lost a quarter of its population, or nearly 300,000 people, from a peak of 1.5 million people in 1950. Some South Bronx neighborhoods lost 40 to 60% of their population (Carrión, 2008). The South Bronx was often described in the press as looking like it had been bombed, or “like Dresden after the war” (Rosenthal, 2000, p. 23).

This chapter is about how and why the South Bronx was abandoned by landlords, banks, the city government and many residents, and the violence and deprivation this meant for South Bronx residents. This experience, and the experience of residents, activists and policymakers in other impoverished, disinvested areas of New York City, has motivated and shaped revitalization efforts from the 1970s to the present. Devastation laid the foundation for revitalization, and this chapter is a prelude to the following chapters on the evolution of revitalization in the South Bronx.

Deindustrialization, suburbanization and disinvestment — which were all entangled with race and racism — underlay abandonment. These were national phenomena that played out in New York City and the Bronx in particular ways. During and after World War II, industries and jobs moved regionally from city centers to suburbs and nationally from the northeast to the south and southwest. In New York, this was encouraged and facilitated by financial and real estate elites. At the same time, residential suburbanization was the result of investment in and migration to suburbs outside of city centers based on financial mechanisms that were, at first, explicitly racial. This created metropolises that spanned growing white suburbs and a declining, disinvested inner city, with people of color largely confined to declining areas by racist real estate practices. Banks followed both of these trends, taking in deposits in older city cores but refusing to invest in working class and poor areas — and investing in suburbs and other parts of the country instead (Beauregard, 2006).

These movements of jobs, people and capital created a situation in the South Bronx where better-off, white segments of the working class moved to the suburbs or the north Bronx just as Puerto Ricans and African Americans were increasingly unable to find good-paying jobs. The people who remained in the South Bronx were at the mercy of often-racist landlords who were unable to refinance their mortgages. The lack of financing led many owners to focus on short-term profits (or sell their buildings to people who were willing to follow this model), neglecting maintenance, stripping buildings of plumbing and appliances, and sometimes even burning the building down for the fire insurance. Tenants bore the brunt of landlords’ pursuit of short-term profits. At the same time, many popular and some policymakers’ accounts of the city’s economic decline and fiscal crisis blamed poor residents of color for the city’s problems, leading to advocacy for a more active state abandonment of the South Bronx and areas like it in a “planned shrinkage” of the city.

Abandonment started in the poorest sections of the Bronx, in the south and east of the borough, which had been the first to be settled densely. It then spread west and north over the course of the 1970s, creating the geographic entity known as the South Bronx. The names and identities of local neighborhoods – Mott Haven, Longwood, Morrisania, Claremont, West Tremont, and many others – were obscured by their inclusion in the “South Bronx,” an entity

defined by violence, abandonment, and blight. As Robert Jensen wrote for a 1979 exhibit on the Bronx called Devastation/Resurrection, the South Bronx was:

two words that today are not only the name of a place in New York but a name for despair in the United States. “South Bronx” designates a condition of poverty and social collapse, more than a geographical place (p. 13).

The abandonment of buildings was due to the abandonment of the South Bronx as a place. Here I move from, first, the details and consequences of abandonment of a single building; second, to the factors leading to the abandonment of the South Bronx; and, third, to the creation of the South Bronx as a geographical entity.

### **The abandonment of Roosevelt Gardens: profits and violence**

In the everyday lives and practices of landlords and tenants, abandonment meant a search for short-term profits that led to violence and hardship for tenants due to under-maintenance, harassment and arson. I summarize the story of Roosevelt Gardens here because it encapsulates many of the dynamics of abandonment in the South Bronx and demonstrates the simultaneous reality of profits for owners and extreme difficulty and even death for tenants.<sup>2</sup>

When it opened in 1922 with 273 apartments, Roosevelt Gardens (then the Theodore Roosevelt) was promoted as the world’s largest apartment house (Rosenblum, 2009). 53 years later, in 1975, it was the first building abandoned on the Grand Concourse. The Concourse, which was modeled on the Champs-Élysée in Paris and stretches the length of the west Bronx, is lined with grand Art Deco apartment buildings and housed the cream of Bronx society in the first half of the 20th century. Abandonment came to the Grand Concourse later than other, poorer sections of the South Bronx, but when it did, it was symbolic.

Until the late 1950s, Roosevelt Gardens was a symbol of upward mobility. There was a waiting list to get in, and the building was well maintained and immaculate (Stevenson, 1979). In the late 1950s, the building was sold to the Weinreb family, who pursued a strategy of extracting short-term gains from the building and tenants while postponing maintenance. Part of this strategy involved selling the building within the family to increase its value on paper, increase the depreciation and thus the tax benefits, increase the basis for insurance coverage, and essentially refinance the mortgage. Over the course of the fourteen years that the Weinreb family owned the building, they sold it seven times and bought it back six times (Stevenson, 1979). At the same time they reduced the amenities (eliminating laundry rooms and dumbwaiters for trash), cut back on heat and raised rents.

In the 1960s, the Grand Concourse had already begun to undergo demographic changes, with Puerto Rican and African American families moving in from other parts of the Bronx and the city as their neighborhoods started to experience abandonment and as housing became available on the Grand Concourse due to suburbanization. And in the late 1960s, thousands of white Bronxites moved from the Grand Concourse to Co-op City, a huge new complex in the northeast

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<sup>2</sup> There are few written accounts of the intimate financial details and lived experience of the abandonment process. Gelvin Stevenson, an economics writer for Business Week, was struck by the devastating changes at a nearby building, Roosevelt Gardens, and chronicled its decline (Stevenson, 1979; Rosenblum, 2011).

Bronx, fleeing the arrival of people of color and all this represented. Popularly, this was often considered the death knell of the Grand Concourse and the South Bronx (Rosenblum, 2011), though it was in fact just one manifestation of processes of deindustrialization, suburbanization and disinvestment.

Tenant turnover in Roosevelt Gardens increased in the early 1970s when the owners began renting to people displaced by abandonment and fire from other parts of the city and the Bronx. Tenant turnover became hugely attractive to landlords in 1971, when rent control was abolished in the city, and apartments that became vacant were immediately decontrolled — and rents could be raised immediately.<sup>3</sup> By 1973, new tenants had moved into nearly every apartment in Roosevelt Gardens (Stevenson, 1979). This was likely facilitated by City welfare policies, which paid much higher rents for families receiving welfare than working poor families could afford to pay, in addition to paying finders fees and security deposits (Stevenson, 1979).

Stevenson argues that all of these maneuvers — taking cash out of the building through repeated sales, postponing maintenance and raising rents — meant that it was not likely that the Weinreb family was losing money on the building. Nonetheless, conditions continued to worsen until the City ordered the building vacated in 1975. In 1973, the basement flooded and the phone lines needed repairs. The phone company refused to enter the basement “because there were so many rats and water bugs [cockroaches],” as a tenant told Stevenson (1979). That same year, an eight-year-old girl was killed when she tried to use the elevator. The elevator seemed stuck, but started to move as soon as she tried to crawl out a broken window (Stevenson, 1979). Damage like broken windows was so common that tenants were unlikely to report it.

Tenants organized to pressure the Weinrebs to make repairs, but they were largely unsuccessful. It was difficult to gain leverage over the Weinrebs. The Weinrebs were friendly with local politicians who seemed to be able to protect them from housing code violations (Stevenson, 1979). When tenants confronted Wolf Weinreb in 1973 and tried to prevent him from getting in his car, the superintendent of the building poured water on them from the roof and Weinreb was able to drive away (Stevenson, 1979).

In 1974 the owners stopped paying real estate taxes, and in 1975 they sold the building to a “finisher,” David Teichner, for \$11,000 cash (the building had an assessed value of \$1.15 million). Finishers, in the terminology of the South Bronx at the time, “operate by collecting rents, providing no maintenance or repairs, and stripping the building of salvageable materials” (Stevenson, 1979). Stevenson (1979) estimated that the total salvage profit of Roosevelt Gardens was about \$20,000, while the extensive renovation needed to restore it would likely cost more than \$7 million.

Teichner used the threat of violence to extract rents from tenants even as conditions deteriorated; he collected rents accompanied by a man who was known to carry a gun and threatened a local politician who was working with the tenants (Stevenson, 1979). Leaky roofs led to the evacuation of five families and fires broke out, though they remained small. Tenants on welfare would be relocated if their apartment burned, so some of the fires may have been set by tenants, but there was also suspicion that Teichner was setting some of the fires. Scavengers tore out the plumbing in 1975, leading to serious leaks, and the water was turned off. Tenants were

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<sup>3</sup> Rent control resumed in a different form in 1973.

forced to bring water in by bucket from the fire hydrant outside (using the stairs to upper floors, as the elevators no longer worked). Tenants feared a fire could take the building any time; “we went to bed with our shoes on every night” (former tenant quoted in Stevenson, 1979). It was at this point that the City finally intervened, ordering the apartments vacated. The mortgage was sold to Kraus Enterprises, which renovated the building to a fraction of its former glory (Stevenson, 1979).

### ***National phenomena: deindustrialization, disinvestment and suburbanization***

Despite the tendency of commentators at the time to blame South Bronx residents (see the quote from Senator Moynihan at the beginning of this chapter), the underlying causes of the destruction happening in the South Bronx were regional and national, not local. [Waldo: add more on blame the victim] Deindustrialization, suburbanization and disinvestment led to crises in many older industrial centers in the northeastern US during the 1970s. Industries moved away from these cities to escape the burdens of sunk, fixed capital investment that had become obsolete and the demands of unionized work forces (Harvey, 1992; Sugrue, 2005). There was a national shift in the location of industry and capital from the northeast to the south and southwest of the country, from the proverbial Rust Belt to the Sun Belt, following the pattern set by defense spending after World War II (Beauregard 2006). Industry also shifted regionally from cities to suburbs (Smith, 1996).

At the same time that jobs were starting to leave northern cities [Waldo: give clearer dates], African Americans were migrating to northern cities from the South (Sugrue, 2005) and Puerto Ricans were migrating from the island to New York City.<sup>4</sup> This influx of population prevented urban populations from dropping severely with the onset of suburbanization (DeRienzo, 1985). It also meant that people of color were the “last hired and first fired” when job loss began in earnest.

Suburbanization and disinvestment were simultaneously racial and economic processes. Massive suburbanization after WWII was facilitated by Federal Housing Authority (FHA) mortgage insurance, created to stimulate construction during the Great Depression. This expanded the market for suburban homes to the segments of the working class that were doing relatively well after WWII, and together with the construction of the highway system and increasing use of cars facilitated a massive migration to the suburbs. The federal agencies charged with creating this new financial infrastructure in the 1930s justified the increased risk taken on by the federal government by attempting to quantify and minimize the risk involved in insuring mortgages in particular neighborhoods. Race played a major role in these calculations, with areas with a mix of races or mainly people of color-coded red (hence the term “redlining”) (Freund, 2007). The FHA would not insure mortgages in areas coded as red, and thus banks would not make mortgages in these areas. At the same time, suburbs used racial covenants and later more subtle means to ensure that the suburbs would remain white. This meant that people of color were largely forced to stay in redlined, deteriorating areas of central cities as whites moved

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<sup>4</sup> New York firms aggressively recruited Puerto Ricans when labor costs were high (Mele, 2000), and the social dislocation caused by Operation Bootstrap, an effort to shift the island’s economy from agricultural to industrial in the 1940s, led many Puerto Ricans to migrate to New York (DeRienzo, 1985; Rivera, 2003).

to the suburbs (Katznelson, 2005; Sugrue, 2005; Freund, 2007).

These processes were not simply a matter of firms chasing more profit or white Americans moving away from what they perceived as a racial onslaught. These are only part of the picture. The larger picture is that capital investment is necessarily restless, always seeking new areas and new industries to overcome the contradictions built into capitalism, and this articulated with race and racism. This restlessness structured both New Deal and postwar state investment strategies (Harvey, 2005) and suburbanization (Walker, 1981). While none of these processes were absolutely inevitable, the recurring tendency of capitalism to invest in new areas while disinvesting in old ones combined with white racism strongly shapes urban space and struggles within it.

### ***The abandonment of the South Bronx***

The Bronx became urban in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. Bronx neighborhoods were built out in waves as transit connections to Manhattan improved. The neighborhoods closest to Manhattan, in the southern part of the borough, were the first built. The bulk of the Bronx, including the Grand Concourse, was built out in a post-WWI speculative boom, when boosters promoted it as a better working class suburb for European immigrants moving up from the Lower East Side (Gonzalez 2004). The Bronx also benefited from infrastructure built through New Deal programs, including the Triborough Bridge, a new subway line up the spine of the west Bronx, and Bronx County Building, a beautiful art deco landmark that is both a courthouse and the office of the Bronx Borough President (Jonnes, 2002). The “Beautiful Bronx” was a place where tenement dwellers could improve their lives. But as Berman (1983) evokes, moving up meant moving out for many in the Bronx.

Processes of deindustrialization, disinvestment and suburbanization manifested in particular ways in New York City and the Bronx. New York City had never been as dominated by heavy industry as, for example, Detroit was, but it was nonetheless an industrial town. Freeman (2000) shows that New York was a center of flexible production, with many small shops and strong unions, despite its reputation as a center of finance. Postwar New York City elites generally came from the financial and real estate sectors, and the owners of New York’s many small manufacturing shops did not have much influence. Thus New York elites encouraged the deindustrialization of New York, freeing up land for the financial and culture industries and real estate speculation (Zukin, 1982; Fitch, 1993; Freeman, 2000).

At the same time that jobs were leaving the city, the better-off segments of the South Bronx population were moving out. The South Bronx had been dominated by European immigrants and their children, and thousands left for the north Bronx and the suburbs. As mentioned above, this was mythologized as the Grand Concourse “emptying out” when Co-op City in the northeast Bronx opened in the late 1960s (Rosenblum, 2011). Puerto Ricans and African Americans moved out of the older, more deteriorated sections of the South Bronx, Harlem, and East Harlem into the better neighborhoods where suburbanization was making housing more available (Gonzalez, 2004).

The South Bronx was largely working class, and deindustrialization hit it hard, especially as better-off white workers left. This led to a growing gap between tenant incomes and housing

costs. Low wages and joblessness for those remaining meant that tenants were less and less able to pay the rent, while in the 1970s housing costs went up due to rising oil costs, high interest rates and inflation (Freeman, 2000). There is wide agreement across the ideological spectrum that the widening gap between renter incomes and housing costs was a major factor in the abandonment of the South Bronx (Homefront *et al.*, 1977; Braconi and Schill, 1999; Freeman, 2000), but as the following chapters will show, different political analyses led to quite different answers to this problem.

Racial and ethnic change in the South Bronx contributed to abandonment both because Puerto Ricans and African Americans tended to have lower paying jobs than whites due to histories of colonialism, slavery and discrimination and because many landlords and bankers had racist understandings of housing and urban space. Racist landlords believed people of color “deserve less because they are ‘dirty’, they bring the slums with them, they won’t pay their rent, etc.” (Homefront *et al.*, p. 45). Jim Mitchell, who worked as a community organizer in the central west and northwest Bronx in the 1970s, told me that part of the reason banks began to disinvest in the South Bronx was because they believed the myth that “it’s really hard to collect rent from black people” (Mitchell, 2011). Racialized and racist understandings of the South Bronx were widespread at the time. The South Bronx was becoming a symbol for racialized urban dystopia; residents were depicted as drugged out and out of control in major films like *Fort Apache, The Bronx*.<sup>5</sup>

Disinvestment by banks in the Bronx followed national patterns, with bankers agitating for deregulation so they could invest in other parts of the region and the country rather than in the Bronx. In 1966, New York savings banks were essentially bailed out by deregulation that allowed them to invest and make mortgages outside of the New York region (Homefront *et al.*, 1977), and soon after restrictions on investments in commercial paper and securities of the Government National Mortgage Association, or Ginnie Mae, were loosened (Freeman, 2000). FHA mortgage insurance allowed local banks to make non-local mortgages with much less risk. Deregulation and redlining led Bronx banks to make very few investments in the borough after 1966 (Homefront *et al.*, 1977). In 1975, Dollar Savings Bank, which was the largest bank in the Bronx and the fifth largest savings bank in the country, made only 32 mortgages in all of the Bronx (Freeman, 2000). Homefront, a collective of radical housing activists, wrote in 1977, “it appears that out-of-state investment has been growing and will continue to grow at the expense of local financing” (p. 39-40).

Bank disinvestment had an especially significant impact on abandonment. Homefront (1977) argues that resale and refinancing were a key source of profit for landlords, even more than rental revenue, and that bank disinvestment was the most important trigger of abandonment. When an owner refinances, the new mortgage is based on the increased market value of the building. The owner uses the new mortgage to pay off the old mortgage and can do whatever he or she wants with the difference between the two. The new mortgage continues to be paid by tenants’ rents, and the owner has a new chunk of capital he or she can use to buy a new building, renovate, or simply use. In stable neighborhoods, rental income and property values increase over time, and this allows owners to refinance. When banks redline an area and begin to

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<sup>5</sup> *Fort Apache, The Bronx*, directed by Daniel Petrie, opened in 1981 and grossed \$29,200,000 at the box office. South Bronx residents protested the film as racist (Raab, 1981).



disinvest, landlords are no longer able to refinance, mortgages are recalled, financing costs go up, and it is difficult to sell buildings. Cash flow from rents becomes landlords' main source of profit. This triggers "milking," or reducing costs through under-maintenance while collecting rents as much as possible, and eventually abandonment (Homefront *et al.*, 1977).

While bank disinvestment may be the most important trigger for abandonment, it is also part of the larger phenomenon of the overall economic decline of an area triggered by deindustrialization and suburbanization. Homefront (1977) writes:

Savings banks in New York City correctly perceive their economic self-interest when they pull out of working class neighborhoods. They know that working class people and particularly minority people are more vulnerable to low-paying jobs and unemployment, and thus less able to pay rent... New York City's working class neighborhoods are objectively risky investments (p. 44).

Deindustrialization, suburbanization, disinvestment and racism all contributed to each other and laid the groundwork for abandonment.

### **State abandonment and New York's fiscal crisis**

At the same time that abandonment and arson accelerated in the South Bronx, New York City's government was paralyzed by fiscal crisis. Not only was the City unable to respond, but popular and elite accounts of the fiscal crisis also blamed the city's predicament on poor residents of color for being a burden on city finances. It was never official policy, but many New Yorkers, especially residents of the South Bronx, believed that "planned shrinkage" was essentially the City's policy toward poor areas: accelerate abandonment so that these areas could eventually be made profitable for the restructured city.

The city's fiscal crisis began with a growing gap between revenues and costs in the 1960s. Even though revenues were down due to the loss of jobs and middle class population, the city, which was strongly interventionist (Fainstein and Young, 1992) continued to try to deliver both subsidies to capital (Fainstein and Young, 1992) and the services and benefits for workers gained through working class struggle over the course of the twentieth century (Freeman, 2000). The city became more dependent on state and federal aid, and when federal aid was dramatically reduced in the early 1970s, the city turned to accounting tricks to cover basic expenses. As the city declined economically and fiscally, investors — largely commercial banks — were less eager to buy the city's bonds (Tabb, 1982).

The city was using bond proceeds to stay afloat, and the inability to sell bonds could mean bankruptcy. Desperate for cash, the city had to look for support from investors and officials who generally despised New York City's liberal, "free-spending" ways (Freeman, 2000; Harvey, 2005). City officials asked for and were refused help from the federal government, which led to the famous *Daily News* headline, "Ford to City: Drop Dead." Many of the city's commercial investors were dealing with losses or potential losses due to corporate bankruptcies, lending in Third World countries, and problems in the airline and real estate industries (Freeman, 2000). These investors followed national and global patterns of disinvestment in older industrial cores and investment in new possibilities in other parts of the country and the world.

At the same time that city officials were frantically searching for lenders and federal loan guarantees, the city's top financial institutions were pushing the city to restructure its finances

and spending to make itself more attractive to investors (and limit the effect of the city's problems on these financial institutions). Mayor Beame made some modest efforts to reduce the city's workforce but mainly moved workers and money around. The situation deteriorated, and in the winter of 1975, Bankers Trust and Chase refused to underwrite New York City bonds and the city's large banks sold billions of the city's securities they had been holding (Tabb, 1982). New York State Governor Carey stepped in, fearful of what a New York City default would do to New York State, and with the help of major financiers and businessmen created the Municipal Assistance Corporation (MAC). MAC was authorized to sell bonds to buy up the city's bonds and was given control over the city's sales and stock transfer tax revenue to make its own bonds attractive (Freeman, 2000). Under pressure, Mayor Beame instituted an austerity budget targeting the municipal unions, the City University of New York (CUNY) system, and social services. Workers and residents pushed back but had few victories (Freeman, 2000). The financial sector pushed for more cuts, and still banks would not buy MAC bonds. This led to the creation of the Emergency Financial Control Board (EFCB), which was given control over all city revenue, the power to reject city spending and labor contracts, and the power to remove the mayor and other officials if they defied its policies (Freeman, 2000). But still investors would not buy the city's bonds, in whatever form. Eventually, the Ford administration's opposition softened and the federal government made short-term loans to the city. The city's unions were also forced to use their pension funds to bail out the city. Together, these measures resolved the city's immediate fiscal problems.

Popular accounts at the time interpreted the crisis in conservative and racial terms, attributing "fiscal demise to the squandering of resources on the undeserving (and predominantly black and Hispanic poor)" (Fainstein and Young, 1992, p. 208). Fainstein and Young (1992) point out that the city's racial divisions "became incorporated in the discourse surrounding the very survival of New York" (p. 208). It is in this context that the logic of state abandonment of the South Bronx becomes clearer.

Although it was never official city policy, Roger Starr's articulation of planned shrinkage most clearly articulates the rationale for state abandonment of the South Bronx and areas like it, and in practice city policies engaged in a "planned shrinkage 'lite' that gave priority in public investment, tax relief, and economic development to the central business district, while leaving outlying areas, including those undergoing devastation, to fend for themselves" (Freeman, 2000, p. 207). From this perspective, the city's survival depended on neoliberal restructuring and attracting more employers in the financial, insurance, and real estate (FIRE) sectors. Survival meant concentrating the city's resources in the core and denying them to outlying racialized areas.

Starr, who was the head of the city's Housing Development Administration at the time, initially proposed planned shrinkage as a possible solution to the city's problems in a speech to a real estate industry group then expanded on his idea and defended himself in a July 1976 *New York Times Magazine*, "Making New York Smaller." His suggestion was quickly picked up by the mass media, and was forcefully denounced by elected officials in the affected areas and others committed to revitalization (Fried, 1976; Fowler, 1976).

Rather than depending on increased federal or state aid or economic development, Starr advocated accelerating existing processes of abandonment and depopulation to concentrate the

city's resources in areas that "remain alive" (Starr, 1976). Starr relies on the graphic metaphor of the city as a living thing; he described the South Bronx as "virtually dead" due to physical abandonment:

Large parts of the Bronx south of the Cross Bronx Expressway are virtually dead — they have been so reduced in population that block after block of apartment houses stand open to wind and sky, their windows smashed, their roofs burned, their plumbing pilfered. Perhaps only three or four houses in a five-block area are inhabited, with another abandoned five blocks on the other side of them (1976).

These dead areas constituted a burden on the city: "Yet the city must still supply services to the few survivors, send in the fire engines when there are fires, keep the subway station open, even continue a school" (Starr, 1976). He argues that rehabilitation efforts, forced on the city by local elected officials or community groups, are unlikely to succeed in the midst of decay and are a further burden on the city. Instead, planners should use, not fight, processes of abandonment: "The role of the city planner is not to originate the trend of abandonment but to observe and use it so that public investment will be hoarded for those areas where it will sustain life" (Starr, 1976).

Planned shrinkage and other drastic plans for "solving" the problem of the South Bronx saw the land of the South Bronx as a potential asset for future development once it had been cleared of buildings and poor residents of color. Planned shrinkage would allow the South Bronx to "lie fallow," to rest in peace, until it regained value:

The stretches of empty blocks may then be knocked down, services can be stopped, subway stations closed, and the land left to lie fallow until a change in economic and demographic assumptions makes the land useful once again.

Felix Rohatyn, the financier who was the head of the powerful MAC, said the blighted areas of the city should be cleared and redeveloped for industry: "take a 30-block area, clear it, black-top it, and develop an industrial park with the whole package of tax, employment, financing incentives already in place" (Clines, 1976). Abandonment was envisioned as a sort of massive "natural" urban renewal.

While planned shrinkage captured South Bronx residents' experiences with City government during the 1970s, it was the view of just one faction of city elites. The South Bronx never fully got the resources it needed, but City support for revitalization — anathema to Starr — increased in the late 1970s and the 1980s.

### ***The geography of abandonment and the making of the South Bronx***

The South Bronx did not exist as an entity until the 1970s, when the label was used to define the growing area subsumed by abandonment and fires. What is now called the South Bronx was simply neighborhoods: Port Morris, Mott Haven, Longwood, Hunts Point, Melrose, Highbridge, the Grand Concourse, Morrisania, East Tremont, West Farms, Morris Heights, University Heights, West Tremont, Mount Hope, Claremont, Crotona Park East and Belmont. Abandonment and "blight" first came to define some of the poorest, oldest neighborhoods in the borough, the areas first inhabited by people of color, in what is now the southernmost and eastern parts of the South Bronx: Mott Haven and Longwood (Jensen, 1979). As abandonment spread, neighborhoods came under the label of the "South Bronx." The northern boundary of the South

Bronx moved further north over time, from 149<sup>th</sup> Street, to 163<sup>rd</sup> Street, to the Cross Bronx Expressway, to, ultimately, Fordham Road.



Neighborhoods and community districts of the Bronx. Districts one through six make up the South Bronx. Excerpt from Department of City Planning (2010).

Buildings and neighborhoods passed through a series of stages on their way to abandonment, stages that bring together the causes of abandonment into focus. Sullivan (1979) outlines the stages in the abandonment of a building. An occupied building begins to be in danger as demand weakens in the neighborhood and the building due to depopulation of immediate area. This is often accompanied by racial and class changes in the area. Landlords' cash flow decreases as redlining and disinvestment make it difficult to get financing. Urban renewal plans lead to clearance without development. High payments for housing people on welfare and rent regulations lead landlords to encourage turnover, and to house people who have been displaced from elsewhere.

The second stage is partial vacancy. The top floors become vacant and empty apartments stripped of plumbing and appliances by scavengers. Drug businesses move into empty apartments. The owner neglects maintenance. There is growing conflict between the landlord and tenants. People who can move do. The owner may sell the building to a “finisher” who milks and strips it. If real estate taxes have not been paid, the City may take title. The City continues to neglect the maintenance and repair needs of the building.

In the last stage, a building lies empty, and vandalism is rampant. The owner may pay someone to burn the building down. The few remaining tenants might set fire to their apartment to qualify for relocation. The City will attempt to seal the building while neighborhood groups look for rehab funds. Finally, the building is destroyed when rehab funds can be found. There may not even be funds to demolish the building, and there may be no funds to fence off the lot and keep it clean (Sullivan, 1979).

Fire was the most dramatic manifestation of abandonment and came to define the devastation of the South Bronx. Fires increased due to lack of maintenance, cuts in fire service, and arson. Wallace and Wallace (1998) argue that an ethos of planned shrinkage shaped city policy beginning in the late 1960s, and that this led to policymakers’ acceptance of a deeply flawed RAND study that led to the closing of firehouses in the South Bronx and the use of faulty call boxes. Decreasing property values and the potential for fire insurance fraud led some owners to burn down their own buildings (or hire someone to do it) (Soffer, 2010). DeRienzo (2008) recounts that residents might get some measure of warning: a note slipped under the door, “Be out by 9 PM!” or word of mouth (p. 14).

People displaced by abandonment and fire often moved into nearby less-affected neighborhoods, where housing was becoming more available due to the pull of the suburbs, racial fears and fears of the expanding South Bronx. The process might then repeat itself, with the South Bronx “spreading” westward toward the Grand Concourse and northward.

The South Bronx entered the national imaginary in the fall of 1977 with President Carter’s visit to devastated Charlotte Street and images of a Bronx fire broadcast during a World Series game at Yankee Stadium. President Carter decided to visit the Bronx in the wake of criticisms that he was out of touch with the situation of the urban poor (Jonnes 2002). On October 5, 1977, Carter made a brief visit to the South Bronx, most memorably walking among the ruins of Charlotte Street, an area in Morrisania neighborhood that had experienced severe devastation due to fire, abandonment and urban renewal.<sup>6</sup>

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<sup>6</sup> The Charlotte Street area lost 80% of its population between 1970 and 1980, going from 20,747 to 4,066 people (Plunz, 1990).



President Carter on Charlotte Street. Photo by Teresa Zapata (Dembart 1977).

Soon after, the bombastic sportscaster Howard Cosell supposedly intoned “the Bronx is burning” during the television broadcast of the Yankee’s second World Series game with the Los Angeles Dodgers on October 12, 1977. In fact, the station simply showed images of an abandoned school in Melrose that was on fire — and out of control because there were too few fire companies available to control the blaze (Flood, 2010). Berman (1999) reports that Cosell actually said, “What’s wrong with these people?” and “Don’t these people have any self-respect?” (p.72), reinforcing the racist narrative that Bronx residents were “animals” burning down the borough.

### ***The legacy of abandonment and crisis***

The abandonment of the South Bronx by landlords, banks and various levels of government was marked by violence: the sudden violence of a fire, the slow violence of deteriorating housing conditions and city services, the supposed violence of South Bronx residents, and the violence perpetrated against those who lost lives, livelihoods, homes, neighborhoods, and hope. In the following decades, the drama and violence of the devastation of the South Bronx has been a reference point for every intervention in the area. The South Bronx of today (whatever today might be) is always understood in reference to the crisis of the 1970s. The South Bronx is always spoken of as becoming better than it was or with fear that it is sliding down into hell again, or with fear that it is not improving enough. This is doubly true for revitalization efforts and people concerned with revitalization. The legacy of devastation always underpins revitalization and is always the reference point.

The particulars of New York City’s fiscal crisis and its resolution have also shaped revitalization politically. The restructuring of the city that came out of the crisis is usually talked about as the beginning of neoliberal regimes in New York City (Tabb, 1982; Hackworth, 2007;

Greenberg, 2008). Although these processes have earlier roots, the fiscal crisis definitively marked the emergence of the entrepreneurial state in New York City (Harvey 2005), the dominance of finance in the governance of the city (Hackworth, 2007), a commitment to privatization, and other aspects of neoliberal restructuring.

The revitalization of the South Bronx has been shaped by the city's neoliberal turn in the wake of the fiscal crisis, but it is not at all simply a story of neoliberal restructuring. The South Bronx was abandoned by for-profit owners as local real estate markets collapsed; turning to the private sector for a solution was literally impossible, unless policymakers wanted to follow the logic of planned shrinkage and continue to let the South Bronx burn. On the contrary, the City started to take ownership of thousands of abandoned properties through tax foreclosure and was forced to find a way to deal with them (see chapter 3). The revitalization of the South Bronx is in large part a story of state intervention and regulation of real estate markets and capital. Nonetheless, city revitalization policy has been affected by the neoliberal turn, privileging the return of city-owned buildings and lots to for-profit owners and the reconstitution of real estate markets wherever possible (see chapter 3).

Moreover, revitalization, and City policy on revitalization, has been deeply shaped by residents and housing advocates radicalized by the abandonment of their neighborhoods by the state and capital. These radical and left-liberal advocates pushed for forms of revitalization that protected housing and residents from market forces, rather than nurturing the return of markets. And where the City was unable to turn to private markets, they turned to non-profit, often local housing organizations and tenant cooperatives, as alternatives.

Over time, these two poles of struggle over revitalization have shifted as the South Bronx has been caught up in the city's overall restructuring. This is articulated in debates today over whether particular forms of revitalization are essentially gentrification. The following chapters will show how revitalization was a site of conflict between these two alternative paths of revival, and how the paths themselves have changed over time.

## Chapter 2: Local Revitalization Efforts In the Midst of Crisis

The last chapter showed how the South Bronx was physically and socially devastated by abandonment in the 1970s. South Bronx neighborhoods were abandoned by landlords, the state and many residents. But the people who stayed in the South Bronx were not passive recipients of the violence and hardship created by abandonment. Many organized to pressure the City or their landlords for repairs. Tenants defended their buildings physically to prevent the owners from burning them down. They bought heating oil to make it through the winter. Eventually, tenants began managing and maintaining their buildings themselves using their rents. Local housing organizations organized tenants, made demands on the City, and were sometimes designated as the official property managers for landlord-abandoned buildings by the City. Later in the 1970s, residents began taking over abandoned buildings and renovating them themselves, and the phenomenon of sweat equity became a symbol of scrappy, radical alternatives to abandonment. In the midst of crisis and devastation, South Bronx residents seized control of buildings no one else wanted and made them their own.

Revitalization efforts began in the midst of the chaos of crisis in the 1970s and were direct responses to crisis. We can think of them as responses to threats to the social reproduction of South Bronx residents, using a Marxian understanding of social reproduction where the physical survival of individuals and classes is bound up with the reproduction of capitalist relations of domination. The withdrawal of landlords and the state in the 1970s undermined the social reproduction of South Bronx residents. New York City and to some extent New York State were in the midst of a fiscal crisis due to the larger economic recession and were unable to compensate with greater support for social reproduction. These early revitalization efforts had to be largely driven by local residents and organizations. They emerged out of a conjunctural moment when the following factors came together: 1) local residents responded to threats to their survival due to a breakdown of social reproduction; 2) the landlord class withdrew, creating opportunities and flexibility, as well as devastation; and 3) there was some measure of government support for local efforts. This conjuncture was specific to the 1970s, when no level of the state responded to the problem of abandonment with enough resources to stem the tide and before New York City had begun its economic recovery.

This was a time of innovation, with new forms and visions of revitalization emerging. While all of these responses were explicitly in opposition to abandonment and its support from conservative ideology and policy, best exemplified by Roger Starr's suggestion that the city consider a policy of "planned shrinkage" (see chapter 1), they took different approaches to the problem of reformulating the relations that had created the crisis. Radical visions of revitalization challenged the relations that had produced crisis, while liberal practices and organizations attempted to reformulate those relations in a more moderate and regulated form. Both took on the responsibilities of the departing landlord class. Liberal redevelopers replaced landlords while maintaining a conventional ownership structure and relationship between owner and tenants, often using state programs that subsidized for-profit and non-profit developers and property managers. This was more a return to the more stable practices of ownership and relations common to other places and an earlier South Bronx than a fundamental change in relations. Tenant cooperatives and sweat equity were more radical, fundamentally changing ownership



structures. Residents de-alienated themselves from their housing, gaining greater autonomy from the aspects of social reproduction that reproduce capitalist social relations. These different visions of revitalization formed the foundation for future radical and liberal visions of revitalization that have continued to be points of contestation.

As abandonment accelerated, advocates built on long-standing housing struggles to push the City to support these new forms of tenant management and neighborhood redevelopment. The City came to support both radical and liberal forms of local redevelopment and recruit them to deal with the problem of abandonment, both because there were few alternatives and because the for-profit real estate industry was increasingly discredited when it came to responsibly managing housing for poor and working class people. There was little capital interested in the South Bronx; few investors were interested in long-term ownership; and few banks were willing to make loans. With responsible owners replaced by speculators who “milked” buildings for rent, scrap metal, and fire insurance payouts, both residents and city policymakers were skeptical that conventional models of for-profit ownership and market allocation of housing could solve the problems of the South Bronx. While the devastation was blamed in some quarters (often more conservative) on rent control or out-of-control Bronx residents, the extremity of the crisis forced policymakers and the mainstream media to recognize the insufficiency of existing capital and state institutions.

Much of what made tenant cooperatives and sweat equity radical, and effective, were the radical housing practices residents developed as alternatives to existing social relations that were causing abandonment, and exploitation of South Bronx residents more broadly. They were de-alienating themselves from their housing. Tenant cooperators, especially female leaders, extended the reciprocity of household relations and their domestic skills to the whole of their buildings. Sweat equity leaders emphasized the importance of challenging disempowering, alienating social relations as the foundation of their work. This had to be done internally, on the divisions of race and class within organizations, in their relations with neighborhoods, and on a broader political level. For some, “community” was a way of talking about the process of building local interdependence and capacity that created some autonomy from failing and exploitative state and market institutions.

Paradoxically, the success of gaining City support and funding tended to destroy sweat equity groups, or at least make them compromise on their more radical aspects. City and foundation support often led them to compromise on the practices they had developed to create a viable alternative to social reproduction — and logically so, as the City and other funders were oriented toward reconstituting rather than transforming capitalist relations in the wake of crisis. Tenant control of housing was not simply a change in ownership. It entailed substantive changes in social relations within cooperatives and sweat equity groups and in their relations with their neighbors and supporters. Operating as a conventional community organization, as funding generally required, meant transforming into a hierarchy with management, staff, and wages. This pressured sweat equity groups to give up the radical democratic processes many of them had developed and exacerbated divisions within organizations. The incorporation of more-radical groups into the City’s revitalization strategy essentially made them more similar to more liberal organizations.

At the same time that more-radical redevelopers were working to de-alienate themselves and others from their housing, liberal redevelopers were pioneering the role of community

organizations in state-sponsored revitalization. These organizations laid the foundations for the redevelopment in the 1980s, when the City convened a revitalization complex (chapter 3). The Southeast Bronx Community Organization (SEBCO), just a few blocks away from where the sweat equity organization Banana Kelly would later form, was one of the first to take up the challenge of redevelopment as abandonment accelerated in the late 1960s and early 1970s. SEBCO and groups like it were entrepreneurial, taking advantage of the opportunities provided by new funding programs to essentially build local businesses. This type of redevelopment tended to put less emphasis on self-help and resident empowerment and more on physical redevelopment and the growth of the organization through ties to the state and capital. This more liberal form of redevelopment foreshadowed the direction that many community development organizations, including Banana Kelly, would take in the 1980s as more resources became available and the City incorporated these organizations into its revitalization strategy.

### ***Radical housing practices emerge out of crisis***

In the midst of the chaos caused by abandonment and fire, many South Bronx residents organized around housing. They worked collectively to pressure their landlords to make repairs, to pressure the City to step in or make emergency repairs, to prevent their landlord from burning down the building, etc. And if these measures did not work — if the landlord had already abandoned the building and no amount of pressure would lead to repairs, or if the City did not have the resources or tools to step in — some South Bronx tenants took matters into their own hands and began to manage their own buildings. As this became more common in the 1970s, the City began to support the formation of tenant cooperatives. In late 1970s, some residents took a bigger step: taking over vacant abandoned housing and renovating it themselves, or sweat equity.

Both tenant cooperatives and sweat equity emerged organically out of the difficulties and opportunities created by crisis in the South Bronx and other areas suffering abandonment. Crisis had destroyed or weakened the social relations around housing, and tenant cooperators and sweat equity homesteaders both had both the necessity and the opportunity to create alternatives. These were struggles to transform social relations, even if tenants and homesteaders did not think of themselves as radicals.

### **Tenant cooperatives: From rent strike to tenant ownership**

A new form of tenant cooperative formed in the 1960s, emerging organically out of landlord abandonment and tenant organizing. These were not the upper and middle class cooperative conversions that have periodically enriched certain segments of the real estate industry in New York. These low-income coops emerged out of a longer history of tenant organizing, especially the use of rent strikes (Lawson 1986). In the 1960s, tenants in neighborhoods plagued by increasing landlord abandonment turned to the time-honored strategy of the rent strike to force their landlord to make repairs. But in these new conditions, this often hastened the landlord's departure, leaving the tenants without repairs but with the rent money. Some tenants began to take matters into their own hands and pay for heating oil and essential repairs, and rent strikes turned into tenant management of their own buildings

Tenants were generally not acting out of a radical commitment to transforming ownership structures (Kolodny, 1973). They created *de facto* cooperatives when they took over

management of their buildings, a step that they were often initially hesitant to take. Kolodny (1973) writes that tenants made the transition to forming cooperatives because they had to:

Many tenants would prefer that the landlord be persuaded or forced to live up to his obligations, it takes them awhile to conclude that given the circumstances this is no longer likely. Only at this point do tenants seriously consider ownership (p. 9).

The cooperatives of the early 1970s that Kolodny studied used legal and institutional tools created due to pressure from the tenants' movement of the 1960s, which led to increasingly sympathetic courts and new legislation and City programs. If a building's condition was dangerous to tenants, the City could provide repairs through the Emergency Repair Program, the tenants could legally undertake rent strikes, and the City could take over management of the building or appoint a receiver (Kolodny 1973). As both abandonment and tenants' practice of managing their own buildings spread in the early 1970s, the legal basis for withholding rent under conditions of decay or lack of services solidified (Lawson 1986). Instead of placing their rents in escrow, rents could be spent directly as needed on the building — with the City's support. "The city concluded that it had to give higher priority to preserving housing in the city than to the niceties of property rights" (Lawson, 1986).

As abandonment spread and was publicized, this organic, grassroots response articulated with policymakers' need to deal with abandonment on a larger scale and with advocates' argument that the private sector was incapable of managing low-income housing. City policymakers began experimenting with direct support for tenant cooperatives in 1970 when Robert Schur, a lawyer and an advocate of cooperatives as a solution to abandonment, was made head of an exploratory cooperative unit in the city's Housing Development Administration. Schur cobbled together city and federal sources to provide loans to tenants and low wages to sweat equity homesteaders. Schur also granted management control of buildings to neighborhood tenant organizations as a way to preserve buildings while buying time to organize and build the skills of tenants.

But City support in the early and mid-1970s was tenuous and not effectively institutionalized. This first round of city support for tenant cooperatives was ended by the elimination of the Municipal Loan Program due to a corruption scandal with the for-profit development side of the program in 1971. After Abe Beame was elected mayor in 1973 and appointed Roger Starr (of planned shrinkage fame) administrator of the Housing Development Administration, Starr fired Schur and ended city support for such programs. Finally, the fiscal crisis of 1975 eliminated even the possibility of city funding until the city began to recover in the late 1970s (Lawson, 1986). The Tenant Interim Lease (TIL) program was created in 1978 to support the creation of tenant cooperatives and continues today, though with much lower volumes.

City support for tenant cooperatives was largely due to a lack of alternatives. With the landlord class vanishing in certain neighborhoods, City policymakers were open to more radical, tenant-led solutions to abandonment. Kolodny (1973) notes that the agencies involved supported cooperatives because tenants were essentially the only viable option in the context of abandonment:

The agencies themselves are to some extent motivated by the genuine belief that tenant ownership and in-occupancy, moderate rehabilitation is workable and even desirable, but a more powerful factor appears to be the absence of likely alternatives. Much of the housing involved has been

abandoned by the investors, by the speculators, and by the lenders. And the city sees little future for itself as the owner-sustainer of this stock. The tenants are the only group left which might have sufficient long-term interest to own and maintain this housing (p. 10).

Regarding the Koch administration's support for cooperatives a little later, in the late 1970s and early 1980s, Leavitt and Saegert (1988) comment that the collapse of real estate markets in poor neighborhoods "made city officials receptive to forms of tenant management and control that offered relatively inexpensive ways out of a fiscal nightmare" (p. 491). The combination of abandonment and state support "formed a crack in the system of housing provision," and tenant cooperators used this fracture "to try to realize their own visions for themselves and their communities" (Leavitt and Saegert, 1988, p. 492).

### **Becoming sweat equity**

The Banana Kelly Community Improvement Association (Banana Kelly from here on) was one of the best-known practitioners of sweat equity, and it too emerged organically out of the conditions of crisis in the 1970s. I use the story of Banana Kelly to chart the changing conditions for radical local groups. In the 1980s and 1990s, Banana Kelly evolved from a creative self-help group to a not-entirely-competent provider of affordable housing on behalf of the city government due to the need to adapt to receive state funding and a change in leadership. I use mainly the memoir of one of the founders, Harry DeRienzo (2008), where he reflects on the evolution and tensions of community development.

Like tenant cooperatives, it was abandonment that made sweat equity both necessary and possible. DeRienzo had first visited the Longwood section of the South Bronx in the early 1970s as a college volunteer at Casita Maria, a local settlement housing and community center. He describes his first impression of the South Bronx:

When I first set foot in the South Bronx I was awed. It was an area more densely populated than any I had ever visited. There were people everywhere: in the streets (mostly playing stickball or skelsies -- a street game involving bottle caps and chalk), on the sidewalks (talking, arguing, banging on congas, playing dominoes), hanging out of the windows, sitting on the fire escapes and on the roofs (flying kites or flying pigeons). Hallways smelled of garlic-laden *pernil*, and the sounds of salsa pulsed from every corner. The vibrant Puerto Rican culture enthralled me. The language, music, games and food were all novel, while the extraordinary emphasis on family was familiar to me, as an Italian-American (DeRienzo, 2008, p. 22).

After graduating from college, he decided to work there because he "loved the Puerto Rican vibe" of the South Bronx, and he soon moved there (DeRienzo, 2008, p. 26). But by 1977, everything had changed:

Between 1970 and 1980, the population of Bronx Community District 2 went from about 100,000 to 30,000 residents. The lively density that had awed me as an undergraduate was replaced by bleak desolation: block after block of burned out tenements; residents warming themselves at garbage-can fires; abandoned, stripped-down cars; innumerable fires on vacant lots burning electrical cable for the copper within (DeRienzo, 2008, p. 31).

Similar to Lawson (1986) and Kolodny's (1973) accounts of how tenants moved from rent strikes to tenant management and ownership, DeRienzo found that oppositional organizing was not effective in his neighborhood, and that he and other residents needed to take on what had been the responsibilities of their landlords. DeRienzo had been trained in "Alinsky-style" oppositional organizing in college by the Northwest Bronx Community and Clergy Association

(the Coalition). He was trained to target “enemies” using tactics such as rent strikes, demonstrations, and media exposure. But he found such tactics less useful in the South Bronx, where the enemy was absence rather than exploitation, and where tenants themselves often left:

Besides the problem of organizing tenants against vanishing or non-existent landlords and an economically crippled local government, I was organizing a constantly diminishing resident base. As quickly as I organized tenants, they moved away to other, seemingly safer, areas of the South Bronx — primarily to areas around the Grand Concourse (DeRienzo, 2008, p. 14).

In the northwest Bronx, the Coalition was part of a nationwide network of activists who pushed for an end to redlining, resulting in the Community Reinvestment Act. But in the South Bronx, the withdrawal of key parts of the existing system of housing provision — and social reproduction — meant that residents had to create alternatives to conventional housing structures.

Through his job at the community center, he met others committed to finding some way to stop the fires. In 1977, DeRienzo and a group of residents, many of them from the curved “Banana Kelly” block of Kelly Street, formed Banana Kelly as an organization. Leon Potts, Mildred Velez, and DeRienzo were the group’s leaders in these early years. They focused on Kelly Street in large part because the owner of six of the nine buildings on one side of the block was Frank Potts, Leon’s father, and he and his family were committed to staying. Potts and his wife had bought one of the buildings in 1963 to live in one of the apartments, and they had trained themselves to be jacks-of-all-trades so they could manage and maintain the building themselves. They bought four more buildings and were the managers of another by 1978 (Gratz 1995). The Potts’ eight children and their families also lived on the block. Unlike most blocks in the area, a good chunk of Banana Kelly was owned by a family committed to staying there and maintaining their buildings for the tenants. So DeRienzo and the others decided to “make a stand on Kelly Street and stop the fires that had already consumed six of the fifteen buildings on the block. And we were largely successful; after that we didn’t lose any more buildings on that block” (p. 30).

Once they had decided to make a stand on Kelly Street, the nucleus of Banana Kelly had to figure out exactly how to make that stand. The group was inspired by sweat equity early on. Another Manhattan College alumnus coached basketball with DeRienzo at Casita Maria, and he was a “street banker” for Chemical Bank. “His job was to bring in business that would not normally find its own way to Chemical Bank — or any bank, for that matter” (DeRienzo, 2008, p. 31). And Chemical Bank was providing construction loans to sweat equity groups at the time. DeRienzo and the street banker arranged for the Banana Kelly group to visit the Peoples Development Corporation (PDC) in Morrisania, a nearby section of the South Bronx. The Banana Kelly group was impressed:

We witnessed first-hand a beautifully renovated building that had been completed by local residents. Now these people were getting trained and paid to do more rehabilitation work in the neighborhood. My group was very impressed, and we were determined to make this happen across town on Kelly Street (DeRienzo, 2008, p. 31).

But Banana Kelly was not yet ready to take over vacant buildings. They organized street clean-ups and block parties, planted a huge garden, and began connecting with other local leaders and organizations. But they soon began to see that other local groups, who were generally more shaped by their connections with state programs, were not addressing the

problem of abandonment in ways that were effective and that benefited South Bronx residents. DeRienzo (2008) writes that other local groups were either stuck in a now-unfunded and politically unrealistic War On Poverty model, or they were “committed to a future that required as many large vacant buildings as possible” (p. 15). This focus on vacant buildings was due to the federal Section 8 program, which was the only subsidized rehabilitation program at the time, and which could only be used to renovate vacant buildings.<sup>7</sup>

Due to this limitation of the Section 8 program, nearby community developer SEBCO and other organizations were not interested in preserving occupied buildings (DeRienzo, 2008). In 1976 a building across from Casita Maria caught on fire. DeRienzo tried to convince SEBCO to rescue the unburned — and occupied — wing of the building, but at the time, SEBCO was only interested in renovating vacant buildings that would allow it to use Section 8; “occupied buildings were apparently not worth the effort” (DeRienzo, 2008, p. 29). DeRienzo also recounts the story of a local organization (not SEBCO) accelerating the decline of an occupied building so they could use Section 8 funds to rebuild it. In contrast, Banana Kelly wanted to build on existing community ties, not wait for abandonment to turn buildings into resources.

The Banana Kelly team decided to share their plans for sweat equity with a nearby Model Cities group that was still active. The director “scoffed at our plans, which were embodied in a short position paper. I remember her saying, ‘*That* is not a plan.’ She then pointed to a long shelf of dust-laden binders containing urban renewal proposals and said, ‘*This* is a plan!’” (DeRienzo, 2008, p. 46-7). In fact, the Model Cities group was living in the past and did not survive, while Banana Kelly went on to thrive.

Finally, Banana Kelly turned to taking over vacant buildings on Kelly Street. A friend at UHAB advised DeRienzo that no one would take them seriously, and their nascent organization would lose momentum unless they physically took over the buildings they were targeting. Like the tenant cooperators described in the previous section, DeRienzo was reluctant at first. He writes, “I was a self-proclaimed radical, but taking over publicly and privately-owned buildings seemed, at first, more than I was prepared to do” (DeRienzo, 2008, p. 33). But in the summer of 1977, the leaders of Banana Kelly and many volunteers “liberated” 936, 940 and 944 Kelly Street, which were boarded-up shells. “Taking a sledgehammer to the concrete blocks was a dramatic step towards the redevelopment of the block” (DeRienzo, 2008, p. 33). Responding substantively to the crisis of abandonment meant challenging property rights. This situation led people who didn’t necessarily identify as radicals — or as *that* radical — to take radical action.

Like tenants forming cooperatives, Banana Kelly used existing programs creatively, bending them to respond to the needs they saw in their neighborhood. They agreed to work in Frank Potts’ buildings in exchange for access to dumpsters. A Model Cities supplemental sanitation program was still active in the Bronx — the last gasp of this kind of federal program — and someone in Banana Kelly knew the sanitation workers. The sanitation workers would declare the alleyways and backyards of the buildings Banana Kelly was renovating a rat hazard, allowing them to provide Banana Kelly with disposal bags and arrange extra pick-ups. Then Banana Kelly would fill the yards with debris again and the cycle would start over, until they had cleaned out

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<sup>7</sup> Section 8 included both a voucher program, which continues today, and a production and rehabilitation program which was active through the 1970s.

the buildings. Soon after, funding became available for sweat equity. But as Banana Kelly soon found, dedicated funding streams and incorporation into state agendas often pulled local organizations away from the goals and strategies they started with.

### ***Developing radical housing practices***

Some leftist analysts at the time did not see tenant cooperatives and sweat equity as truly radical. Homefront (1977), a collective of radical housing activists, argued that the structure of City support for tenant cooperatives and sweat equity groups was, first, about taking buildings off the City's hands, and, second, intended to turn community groups toward structures of private ownership. They also argued that cooperatives and sweat equity did not address the problem of low wages that make it difficult for tenants to be responsible for a mortgage and long-term maintenance of a property. Instead, Homefront (1977) advocated expanded state ownership of housing (and tenant control of this state-owned housing) as steps in the revolutionary struggle to establish socialism.

Homefront's critiques of City policy and of the difficulty of making tenant-owned housing work in a context of job loss and low wages are valid, and I will make similar arguments in this and other chapters. But their critique stays at quite an abstract level and does not address the potential for radical housing practices to play a part in the transformation of social relations, even though practitioners might not identify as radicals. The practices of tenant cooperators and sweat equity homesteaders begin to show us what was, and is, needed to house poor and working class people without condescension, exploitation or the threat of displacement. As such, they are a foil to more conventional forms of revitalization that emphasize the revitalization of places and markets over self-determination by and benefits to working class and poor Bronx residents. The everyday practices of cooperators and homesteaders also make clear the challenges of creating alternative social relations in a context where liberal policy was attempting to reestablish markets and property value.

Social reproduction is a way to think through the importance of everyday practices and housing in social transformation, and social reproduction was under threat in New York City in the 1970s. Much of the critical literature on housing focuses on the power and dominance of capital in the form of landlords, developers, and finance. This is an important corrective to conventional (both liberal and conservative) accounts of the urban, but it obscures the importance of practice and struggles over hegemony. Thinking in terms of social reproduction brings attention to 1) the dialectical, non-deterministic relationship of production and reproduction, and thus housing's relationship with production; and 2) the importance of housing and neighborhood practices to both sustaining and challenging capitalist and other relations of domination.

Social reproduction, in Marxian terms, includes both the reproduction of classes and individuals on the level of survival and the overall reproduction of the capitalist social relations of production described by Marx (starting with the unequal relations between capitalist and laborer and landlord and tenant). This means that the survival of laborers and the working class is entangled with practices that reproduce capitalist relations – although neither reproduction is guaranteed.

Mitchell, Marston, and Katz (2003) frame social reproduction explicitly in terms of practice: capitalist social relations, structures, and institutions are reproduced through practice. Because institutions and social relations (including relations of domination) are the result of sedimented practice, hegemony is never entirely secure, and it is contested in different ways in different spheres of everyday life. For them, social reproduction is about the whole of our lives outside of waged work and formal production processes, but is always in dialectical relationship with production. For Willis (1981), social reproduction takes place within the wider realm of cultural production. Cultural production “occurs on the determinate and contradictory grounds of what is inherited and what is currently suffered through imposition, but in a way which is nevertheless creative and active” (Willis, 1981, p. 2). Culture and everyday practice cannot be reduced to the reproduction of capitalist relations. Because social reproduction takes place within moments of cultural production that are inherently open, “aspects of liberation are already there” (Willis, 1981, p. 17).

It is this inherent openness that allowed tenant cooperators and sweat equity homesteaders to develop alternatives to the forms of social reproduction they had been imbricated in. Mitchell, Marston, and Katz (2003) argue that to be truly transformative, “to confound reproduction and maybe make something else,” requires not only recognition of the possibilities that emerge out of everyday practice, but “new modes of practice that build and rework the connections among the many spaces, actors, and material social practices of life’s work” (p. 433). Willis, similarly, cites the possibility of “counter-hegemonic” practices that could be built upon.

The urban crises of the 1970s can be understood in terms of a steady withdrawal of both employers and the state from supporting the reproduction of labor-power (Mitchell, Marston, and Katz, 2003; Katz, 2004; etc.). Mitchell, Marston, and Katz argue that as economic crisis in the 1970s led to fiscal crises, “states began a slow but determined process of abandoning social programs that supported the social reproduction of labor and shifting resources to more directly facilitate capital investment and growth” (p. 431). Cindi Katz (2004) puts the emphasis on the increasing mobility of capital, which meant that employers were less committed to social reproduction in any one place.

As the withdrawal of capital and the state from support for social reproduction in the South Bronx led to the devastation of the housing stock, survival and the reproduction of capitalist relations were decoupled; survival required challenging, or at least changing, capitalist relations, not acquiescing. De-alienating themselves from their means of survival was the first step for tenant cooperators and homesteaders, and taking the leap to ownership was not necessarily simple, mentally or practically. Cooperators and homesteaders then went beyond this, developing radical housing practices by expanding practices of reciprocity previously confined to what they understood as their family or their community. These were social relations that gave them some measure of autonomy, or self-determination, from failing and exploitative conventional relations.

### **Tenant cooperatives as radical housing practice**

Tenant cooperators developed radical housing practices as they took on the role of being their own landlords. The first, most immediate aspect was the prospect of gaining control — de-alienating themselves — from their housing. Tenants had to take the mental leap to imagining themselves as managers and eventually owners of their building. Then there was the difficult and



creative work of coming up with new relations and structures to generate an alternative form of social reproduction. I depend in large part on Leavitt and Saegert (1988) for my understanding of cooperators' practice, and they found that women's domestic practice was essential — female leaders of cooperatives would extend their practice of running a household to the building as a whole.<sup>8</sup> Cooperators often likened the tenants of their building to family, and cooperators built on household and family practices to create an alternative form of social reproduction. Leavitt and Saegert term these buildings “community-households” and emphasize that they are constituted by relations of reciprocity and resource-sharing among tenant cooperators; tenants share “the economic and managerial burdens of a common residential dwelling by drawing on social relationships based on generalized reciprocity of personal and social aid, as well as on an emotional attachment to the dwelling” (Leavitt and Saegert, 1988, p. 491). Social relations among neighbors comprised “a non-monetary exchange of goods and service,” and this was a “first line of defense in times of housing crisis” (Leavitt and Saegert, 1988, p. 498). Tenant cooperators, and especially the leaders that emerge, come up with structures for “identifying priorities, allocating resources, making decisions, resolving conflicts, and planning for the future” (Leavitt and Saegert, 1988, p. 498). We can understand this as creating an alternative form of social reproduction.

Leavitt and Saegert highlight the importance of gender and age in this response to landlord abandonment. Women leaders were especially successful because they translated the skills they had developed running their household to organizing and operating their building. “The constant attention, of both a physical and social nature, to mundane, repetitive, and unending demands had much in common with housework” (Leavitt and Saegert, 1988, p. 492). Women leaders attended to communication and social bonds more than male leaders, who tended to see their leadership roles as akin to the jobs they had before retirement. Women leaders were emotionally attached to their buildings, and “just as they had struggled all their lives to make homes for their households, they extended that struggle to saving their ‘abandoned’ buildings” (Leavitt and Saegert, 1988, p. 492). These domestic skills “are a hidden resource that women often extend to the building level when a collective crisis occurs” (Leavitt and Saegert, 1988, p. 496). Elderly tenants were important participants and leaders because they had built up more relations with their neighbors, they were more dependent on those relations, and because they were more likely to stay than to leave. Their emphasis on relations and their determination made them more likely to build an alternative to the crumbling social reproduction they were in the midst of rather than moving elsewhere where social reproduction was intact.

Leavitt and Saegert also found that the development of collective capacity was important among tenant cooperators. In all cases, tenant cooperators had to throw off feelings of futility and being overwhelmed in order to take on the task of managing their buildings themselves. And when collective capacity was low, the difficult task of establishing a cooperative could become impossible. Leavitt and Saegert found that cooperatives were more likely to fail if leaders were few, overwhelmed, or in poor health.

In a context where buildings often spiraled out of control, having significant control over your own housing was deeply meaningful. Tenant cooperators' control over their means of

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<sup>8</sup> Leavitt and Saegert's study (1988) focused on Harlem, but much of it also holds true for the Bronx, and the experience of Harlem cooperators is useful for exploring radical housing practice.

survival gave them a sense of empowerment (as Leavitt and Saegert (1988) put it) that renters did not share, even if their building was managed by a local community group. Such renters had “a psychological sense of abandonment conveyed by many, especially elderly tenants, in buildings brought back from abandonment by community or private landlords” (Leavitt and Saegert, 1988, p. 492). Tenant cooperators tended to feel confident in their buildings and neighborhoods, while renters might be comfortable within their building but were generally fearful of the neighborhood. Leavitt and Saegert point out that renters have much less control over their social networks than tenant cooperators do:

They had no control over costs and management practices that might drive some people out nor any say over who got in as a new tenant. In all the rental buildings in the study, the majority of those we interviewed saw their social worlds dwindling as friends died or moved away” (Leavitt and Saegert, 1988, p. 496).

In the buildings where renters felt insecure, “many cited the lack of participation in screening protective tenants as a particular problem” (Leavitt and Saegert, 1988, p. 499). We can frame this in terms of renters continuing to be alienated from essential supports for their physical and social survival. Especially in the midst of widespread abandonment, it is understandable that renters might feel insecure, even if their landlord were a non-profit community group.)

### **Sweat equity and radical housing practice**

Sweat equity organizations developed radical housing practices that de-alienated homesteaders from their housing, de-alienated them from the means of production to some extent, and created a closer connection between housing (reproduction) and labor (production). Much like tenant cooperators, the first, most immediate problem was the de-alienation of homesteaders from their means of survival and the means of production. A few sweat equity homesteaders and staff have written about their experiences, and they emphasize that sweat equity was not only a way for poor and working class people to gain some control over their housing and their employment; it was in direct response to the external forces impoverishing individuals and neighborhoods.

Homesteaders were drawn by the possibility of wresting control of their work and their housing from “banks and bureaucracies.” Steve Katz (1983), who worked at the People’s Development Corporation (PDC), writes eloquently about how de-alienated work was the reason people were attracted to the organization: “emerging from the indignities of street life and unemployment, the pride and promise of self-organized, steady work cannot be underestimated” (p. 12). The “underlying political content” of sweat equity was that “people have a right to control their own jobs, homes, lives and futures” (Katz, 1983, p. 20). PDC was dedicated to challenging internal hierarchies and “the right of downtown banks and bureaucracies to control other people’s lives” (Katz, 1983, p. 13). Sweat equity was “a chance to create a situation of authentic control and mutual responsibility” (Katz, 1983, p. 13). Practices that de-alienated workers from production and tenants from housing — or that made sincere attempts to — were powerful political statements.

DeRienzo, building on his later experiences with revitalization efforts operating on the level of “community” as well as his time with Banana Kelly, also emphasizes the need for de-alienation and autonomy in the face of destructive external forces. He compares two approaches to community building, one which he calls the “static enhancement model” and the other the

“transformative model.” In the static enhancement model, structural causes of poverty are ignored in favor of addressing individual deficiencies. This model “views economic marginalization, political disenfranchisement, and individual disempowerment as totally dependent upon individual dysfunctions” and simply reinforces existing power relations (DeRienzo, 2008, p. 84).

He advocates what he calls the “transformative model of community-building,” which frames problems as caused by external forces, and the solution as a more autonomous community created through interdependence and collective capacity:

This approach views external circumstances as playing a central role in creating area-wide social, economic, and political dependencies. Within this view, community-building efforts seek to organize residents in ways that rebuild meaningful relationships between them. These meaningful connections then redefine a sense of collective identity, place, and capacity (DeRienzo, 2008, p. 84).

There was then the difficult and creative work of coming up with new relations and structures to generate an alternative form of social reproduction. DeRienzo (2008) sees this in terms of community. While community is a famously nebulous term (Williams, 1985), this is not an abstract evocation of the benefits of community; DeRienzo uses the word community to capture a specific and concrete set of relationships among homesteaders. It is through practices of community — specifically, reciprocity — that he argues South Bronx tenants can create alternatives to landlord-owned housing.

DeRienzo emphasizes that community is not something given by living in the same area, as is assumed by many “community” programs, but as something that must be built. Community, for him, consists of commonality, interdependence (the foundation of reciprocity) and collective capacity. Commonality is the foundation, but it is not enough. He compares his approach with the more common one of taking community as a given and focusing on outside assistance:

Most so-called “community-building” initiatives assume “community” when only the first of these conditions is in place: commonality. Community builders often see a group of people with a common need or problem and attempt to fix the circumstances through outside intervention and assistance (DeRienzo, 2008, p. 75).

A group of impoverished people “sharing the concerns of every day life and the weight of political circumstances and personal woes... are not a community at all — they are simply an agglomeration of people in similarly depressing circumstances” (DeRienzo, 2008, p. 76).

According to DeRienzo, it is through local interdependence that people are able to gain a measure of autonomy from the external forces causing poverty. His version of interdependence means meeting each others’ needs because you form an interdependent whole, without resorting to mechanisms of capitalist exchange: interdependence requires “a need, a capacity, and a recognized self-interest in sharing that capacity... All the members of a community perceive themselves as forming one social web — all interconnected, all interdependent and all affected by the individual loss or gain of its members” (DeRienzo, 2008, p. 76). This interdependence is different from the interdependence of capitalist exchange, of social relations mediated by markets and mainstream institutions. This is interdependence that wrests some measure of autonomy from the market and the state.

And in the context of the South Bronx in the 1970s and 1980s, when state and market

institutions were failing dramatically, collaboration outside market and state structures was a necessity. Creating a community is creating a cooperative arrangement where members share resources and skills. This community, “as all communities, is not totally self-contained and self-sufficient, but it does serve the economic needs of its members” (DeRienzo, 2008, p. 85). The collective outcome can be as small as “each family is a bit more economically sufficient and less economically marginalized” (DeRienzo, 2008, p. 85). This interdependence is similar to the expansion of domestic, familial relations among tenant cooperators described by Leavitt and Saegert (1988). Both are about extending the intimacy of social relations that have some measure of autonomy from market relations.

Unfortunately, the kinds of relations that DeRienzo (2008) advocates are actively undermined by political economic forces:

It is important to recognize that today there is a major constraint to community development work, namely, the withering away of community itself... [C]ommunity is in many ways anathema to the prevailing economic, political and social trends... Our economy is dependent upon a pliant, mobile workforce, so there is little practical tolerance for social organization beyond the individual, the family and church groups (p. 19).

As later chapters will show, autonomy, or self-determination, has become more difficult in the South Bronx over time.

### ***The mixed blessing of state support***

Tenant cooperatives and sweat equity were powerful interventions because they involved residents gaining control over their housing and some measure of autonomy from the destructive relations causing abandonment. But they were still dependent on outside sources of funding and support. The poverty of South Bronx residents was a key factor in the abandonment of the South Bronx by banks, landlords and the state (see chapter 1), and tenant cooperators and sweat equity homesteaders turned to these radical housing forms and practices precisely because they did not have the resources necessary (or the desire) to leave. Thus, tenant cooperatives and sweat equity organizations were dependent on emerging segments of the state, banks and foundations that had begun to support revitalization in the South Bronx and places like it.

But this support was often a mixed blessing. This was especially true of sweat equity. As the stories of Banana Kelly and PDC will show, the positions and experiences of homesteaders were difficult and contradictory. Organizations might practice radical democracy internally, or attempt to, but at the same time were dependent on the state and foundations, neither of which operated on similar principles and which often undermined radical practice within organizations.<sup>9</sup>

### **Banana Kelly’s rise and fall**

Around the same time that Banana Kelly began to “liberate” buildings on Kelly Street, sweat

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<sup>9</sup> Tenant cooperatives have undoubtedly faced similar problems. There have been thousands of successful tenant cooperatives formed in the wake of landlord abandonment, but many others have not succeeded, and many tenants were not given the opportunity to form cooperatives — after taking ownership, the City sold their buildings to a community group or a for-profit firm (see chapter 3).

equity began gaining citywide and national media attention as an alternative to abandonment. Sweat equity had a distinct media appeal: “there was drama, and eye-catching photographs, in both the personnel involved and in the transformation of the abandoned buildings” (Lawson, 1986). In the spring of 1976, sweat equity was featured on the CBS Evening News, and Walter Cronkite presented it “as an alternative to abandonment and as an example to other cities across the country” This attention led to increased funding (Lawson, 1986). Lawson (1986) argues that “such favorable publicity helped ease negotiations between HUD, HDA, and the Chemical Bank, which eventually, in 1977, led to the announcement of a National Urban Homesteading Demonstration Program, under which [PDC in the Bronx and Adopt-a-Building in the Lower East Side] received contracts for twelve sweat equity projects utilizing CETA--funded labor.”

Banana Kelly’s situation changed dramatically with the rising profile of sweat equity and the corresponding increase in funding — and their incorporation into the City’s strategy for dealing with abandonment. In the fall of 1977, President Carter visited Charlotte Street and the Peoples Development Corporation nearby (the President’s motorcade zoomed past Kelly Street on its way to Charlotte Street, but the President didn’t stop). Carter was impressed by PDC’s work, and he asked their leader, Ramon Rueda, what they needed. Rueda gave the obvious answer: money. DeRienzo (2008) writes, “Banana Kelly never directly benefited from the relatively generous federal response to that plea. But we indirectly benefited because after that, sweat equity became known as the ‘President’s Program’” (p. 35). Soon after, Banana Kelly received a \$900 grant, contracts with the city and state soon followed, and Banana Kelly opened an office, bought a typewriter, and created paying positions.

Banana Kelly was in business: they would rapidly transform from an all-volunteer group with minimal resources to a non-profit with multiple programs managing millions of dollars in funds. They were funded through the federal Comprehensive Employment and Training Act (CETA), a job corps program established in 1973.<sup>10</sup> The program gave Banana Kelly the funds to hire and train young people age 16 to 19 to renovate buildings. And the city’s 1978 housing budget, under new mayor Ed Koch, included a “sweat equity” allocation. Banana Kelly’s dedication and skills were soon recruited to help the City deal with abandoned buildings in their neighborhood. They were approved for a new community management program, the Management in Partnership Program, which allowed them to become property managers and eventually owners of some of the buildings they had organized in the neighborhood. DeRienzo (2008) writes of Banana Kelly, and his own, rapid rise:

We also had a weatherization program, a building “seal-up” program, a solar installation program, and more. In a very short period of time we were administering millions of dollars of public and private funds. I was twenty-five years old (p. 36).

This increase in funding and incorporation into a larger strategy changed the focus and work of many community developers who engaged in radical, self-help forms of redevelopment. Many funders were hesitant to support more radical methods, and the demands of administering funded programs drew community developers away from the goals and activities they had started with. In a series of surveys of its community developer affiliates, an association of community

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<sup>10</sup> CETA was similar to the various job corps programs created from the New Deal on, but decentralized, following Nixon’s strategy for a new federalism devolving decision-making and responsibility to state and local governments (Sherraden, 1980).

developers, the Association of Neighborhood Housing Developers (ANHD), found that the organizations' funding had, on average, more than tripled between 1976 and 1980 (Lawson, 1986). Lawson argues that this new funding allowed neighborhood organizations to tackle new goals that had been out of their reach before, but it also frequently displaced their previous goals. Some funders refused to fund rent strikes, and "more often, neighborhood organizations tailored their proposals to meet the known preferences of funders or plugged into programs where the funders had already set the rules" (Lawson, 1986). Leaders were occupied with management and reporting rather than organizing.

The structure of city programs contributed to this shift. The Community Management Program required organizations to manage the buildings directly themselves, rather than helping tenants manage the buildings. Some organizations protested, but "the majority of contractors accepted the roles assigned them and usually ceased trying to organize tenants altogether" (Lawson, 1986). Lawson (1986) quotes Doug Moritz, the leader of Los Sures in Brooklyn, "We sacrificed our local base, as we failed to educate the new tenants who moved in, and came to be seen – rightly – as part of the establishment."

Banana Kelly's own rapid success and growth brought new tensions. DeRienzo is deeply committed to "the concept of community," as he titled his book. As described above, DeRienzo sees community as collaboration and cooperation independent of the state and capital, with the implication of a certain autonomy. In its early years, Banana Kelly was an example of exactly this kind of community: residents banded together and used their own skills and resources to collaborate and improve their environment, creating "community" in the process (meaning a set of relations more or less independent of relations of exchange and governance.) This kind of community was especially important, and possible, in the context of a South Bronx abandoned by the state and capital in key ways.

But as Banana Kelly grew, it came to be constituted more and more by relations with the state and capital, rather than relations among peers.<sup>11</sup> DeRienzo (2008) writes, "success came with a price... the dynamics of our group had changed substantially... our leaders became managers, our organizers became employees, and our members became clients" (p. 39). This disturbed DeRienzo because in his analysis of community organizations, he had concluded that they needed at least one of three resources to back up their work: "1. strong, established institutional backing, such as a church; 2. financial resources; [or] 3. Membership" (DeRienzo, 2008, p. 39). Banana Kelly had never had institutional backing or financial resources, and according to DeRienzo (2008), "we had lost our membership base through the unconscious and circumstantial processes leading to becoming a successful CDC" (p. 40). This meant that they were in a precarious position:

We were living off our competence and our utility. If we lost any substantial degree of competence, or if our work was no longer viewed by those in power as being important, we would lose our funding base (DeRienzo, 2008, p. 40).

DeRienzo believed the organization needed "to revive the guarantor of our long term health and survival," their membership (DeRienzo, 2008, p. 40).

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<sup>11</sup> This became a common critique of the community development movement among progressive scholars (see Stoecker, 1997).

Dynamics within the organization had changed, as well. DeRienzo's leadership role as executive director was significantly different than the kind of leadership he and his colleagues had exercised before:

As I made commitments and took each commitment to heart, I used my position of Executive Director to force our group leaders, now our managers, to either perform or leave. Some stayed, others left. By 1981, what started in 1977 as cooperative and mutually supportive relationships became openly antagonistic (DeRienzo, 2008, p. 40).

DeRienzo believed that he had to leave to allow reconciliation to happen. But after he left at the end of 1981, Banana Kelly moved farther from a membership model rather than closer and faced problems of corruption. The first executive director after DeRienzo failed to prevent corruption on the part of their construction supervisor. Banana Kelly then hired Getz Obstfeld, who had led a successful self-help project in Rhode Island. Obstfeld continued to build Banana Kelly as a housing organization, expanding its portfolio from less than 100 units in 1982 to 1,000 units in the mid-1990s. But when local power broker Ramon Velez tried (unsuccessfully) to take over Banana Kelly's board, Obstfeld brought in former resident Yolanda Rivera to strengthen the board — and she made Banana Kelly her own power base, weakening their work and leading to Obstfeld's resignation (DeRienzo, 2008). Banana Kelly's grants and contracts shrank, and its buildings were neglected and mismanaged. Rivera and the board were eventually investigated by the New York State Attorney General for mismanagement and misappropriation of funds. Rivera and Banana Kelly were forced to turn management of their buildings to other companies and organizations, including SEBCO (Waldman, 2000).

## **The People's Development Corporation**

The People's Development Corporation had undergone its own implosion earlier, in the late 1970s.<sup>12</sup> At first, all members of PDC shared a vision of self-help work and housing:

PDC appeared to offer the chance — for those who wanted it — to gain entrance into the employed sector of New York's working class. It was also more. It was a rare opportunity to get some dignity through the creation of the housing, and enjoy doing it at the same time (Katz, 1983, p. 12).

Ownership of the organization was meant to follow the same model as sweat equity: "If the building belonged to the homesteaders, then so did PDC" (Katz, 1983, p. 12).

But from very early on, PDC faced challenges of race and class, with the latter often manifesting as differences in skills. Most of the initial core group that founded PDC, convened by leader Ramon Rueda, were Puerto Rican, employed and committed political activists. This contrasted with the residents of the neighborhood, Morrisania, which was largely African American, and the homesteaders PDC recruited from the area once it had a small amount of funding to pay them in 1975. The newer homesteaders were younger, less skilled, and had less experience politically. Challenging such hierarchies both internally and externally was fundamental to PDC's ethos:

PDC's concept... challenged hidden organizational power and, in particular, the concentration of skills and knowledge — technical, analytic and political — in staff and leadership. It also

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<sup>12</sup> Steve Katz, staff member of PDC 1977-78, wrote a reflection on PDC's collapse, and this piece is the main source for this section (Katz, 1983).

questioned the right of downtown banks and bureaucracies to control other people's lives. And it was a chance to create a situation of authentic control and mutual responsibility (Katz, 1983, p. 13).

Addressing these sedimented patterns and building the commitment to do so was difficult: Demands for democratic control had to be matched with the technical capacity and social commitment to take on the responsibilities, and too often this did not happen... Criticism from the workers was often not matched with a commitment to take part in the formal decision-making group... It was clear that restructuring the inherited distribution of skills and patterns of responsibility would be a long, patient organizing job (Katz, 1983, p. 14).

After the organization got more funding in 1976 and hired some staff members — adding to the tensions — a group of 40 members came up with guidelines on a retreat. Staff would have to move to the neighborhood within a year, would pass their skills on to others, and people responsible for management would also have to regularly “pull sweat” (do physical labor on the organization's rehabilitation projects). But this was never really implemented, due to rising tensions around the organization's expansion and Rueda's attempt to implement a plan for the surrounding 9-block area, a plan produced without community participation, or even much participation within PDC (Katz, 1983).

The organization was also repeatedly destabilized when promised funding was delayed. In 1974, Roger Starr, then head of the Housing Development Administration (HDA), threatened to freeze all City Municipal Loan funding for sweat equity. (This was just a couple years before Starr articulated his ideas about planned shrinkage, including that redevelopment projects in the South Bronx, specifically, were doomed and a waste of money). Sweat equity activists, including people from PDC, occupied Starr's office and the decision was reversed. In 1975 during the City's fiscal crisis, the Emergency Financial Control Board froze all City loans. Without money or work, prospective homesteaders drifted away. Once the organization got some funding in 1976, work began on 1186 Washington Avenue, PDC's first building and the one Banana Kelly visited. But funding dried up again in 1977 after work was done and the homesteaders moved in — who then did not have jobs to pay their mortgage. The building at 1186 Washington was ultimately seized by the City for nonpayment of real estate taxes after residents failed to address the problem collectively (Katz, 1983).

President Carter's surprise visit to Charlotte Street and PDC in 1977 dissolved the procedural and political delays plaguing PDC, and soon \$4 million and 250 people flowed in, ten times more than the previous year. As an organization, PDC was simply not able to handle the management challenges this brought. At this point, relations between the staff and leadership, on the one hand, and the homesteaders, on the other, had degraded to the point where PDC's vision of self-help and democracy no longer held true. Katz (1983) quotes PDC member Ruben Rivera as saying that for the homesteaders, pulling sweat “became just labor, a negative thing” (p. 19). Homesteaders were “working for the money, working for as long as they could” (Katz, 1983, p. 20). This meant “sweat time became the price workers had to pay to get a CETA job, instead of a commitment to an apartment, to themselves, to the community” (Katz, 1983, p. 20). In the second half of 1978, over a third of the homesteaders were either fired or quit. Later in 1979, PDC's main offices were torched twice, the cabinet shop was vandalized, and the comptroller's safe was broken into. Most managers were fired or quit, and Rueda was removed. A “rescue” board was constituted, but PDC did not survive.



Katz closes with how PDC itself was the terrain for the struggle over “how will we be organized, by whom, and to what end:”

On the one hand was a tentative, flawed street-level form of cooperation and self-organization. On the other, was the race and class-biased strategies of austerity and bureaucratic control imposed on New York’s poor and working class neighborhoods. Trying to bridge this contradiction was PDC’s leadership and the neighborhood movement of which it is a part. Caught in this web, between the street and the state, the “movement” runs the risk of becoming a cheap, expendable outpost for imposing that austerity, once it sacrifices its capacities for popular mobilization (Katz, 1983, p. 20).

Sweat equity was a creative response to the forces causing abandonment in the South Bronx. Residents and organizers responded to their abandonment by jobs, landlords and the state by seizing control of housing, creating jobs for themselves, and pressuring the state to support them. They were successful to some extent because there were few alternatives. But PDC and Banana Kelly were ultimately destroyed or transformed by both the pressures of continuing abandonment (such as Starr’s resistance to providing funding) and the pressure to structure themselves as conventional non-profit organizations, meaning hierarchical arrangements that seriously undermined the radical internal work attempted by both organizations. Homesteaders were alienated, again, from their organizations and the jobs and housing they provided.

### ***Rise of the community development and affordable housing industries***

At the same time that tenant cooperatives and sweat equity organizations were developing radical alternatives to existing housing structures and practices, the City and federal governments and some community organizations were developing more liberal alternatives. They developed a liberal form of revitalization that maintained conventional relations between landlords and tenants but engaged local organizations as more rooted and responsible landlords and used government subsidies to create incentives for reinvestment.<sup>13</sup> This was a way of 1) pulling capital back into the South Bronx and 2) nurturing and regulating a landlord class that would be more likely to maintain their buildings responsibly. This was the foundation of both affordable housing and community development as industries, rather than social movements or political priorities.

Project-based Section 8, created in 1974, was the first housing subsidy program used to reverse housing abandonment in the South Bronx, and the Southeast Bronx Community Organization (SEBCO) was one of the first community organizations to use it successfully. The structure of project-based Section 8, which required a non-profit sponsor as well as a developer, created new opportunities for South Bronx organizations, a number of which transitioned from focusing on services or community organizing to being housing developers. Mayor Beame’s administration saw the Section 8 program as a vehicle to rehabilitate the thousands of vacant properties in the city (Orlebeke, 1997), but there was too little funding and the pace was too slow to keep up with abandonment (Cantillo, 2011). So while project-based Section 8 has not been the major source of funding for redevelopment in the Bronx, it established an important model of

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<sup>13</sup> Another liberal version of revitalization has involved cultivating the return of for-profit actors through subsidies and depends on regulation to prevent problems, largely bypassing local organizations (see chapter 5).

public-private-community partnership, and it led to a number of South Bronx community organizations becoming developers.

### **SEBCO: From organizing to local business**

SEBCO is based very near Banana Kelly in the Hunts Point section of the South Bronx, and it, too, has been a very successful and much-heralded community developer. SEBCO has built thousands of units of housing, and its founder, Father Louis Gigante, has been called a “South Bronx Savior” (Sandler, 1997). The area of SEBCO’s activity has been called “Giganteland” (Hoffman, 2004). As one of the first organizations to begin rebuilding in the wake of abandonment, SEBCO has been a model for revitalization throughout the South Bronx. Anita Miller of the Ford Foundation brought foundation and corporate executives to the area and told them, “Look, here you have the kernel of a revitalized neighborhood. It can be done” (quoted in Hoffman, 2004, p. 44).

SEBCO, too, stepped into the vacuum created by the departure of responsible landlords and showed that revitalization rather than abandonment was possible — but in a significantly different way than Banana Kelly. Gigante was entrepreneurial, essentially creating a local business by learning how to use project-based Section 8 funding in the 1970s and other forms of funding after project-based Section 8 was eliminated in 1983. SEBCO replaced the landlord class in their projects by becoming a landlord and developer themselves (though a more community-oriented landlord than those they replaced). SEBCO was also more hierarchical, both internally and in its relationship with the neighborhood, than most sweat equity groups and tenant cooperatives. SEBCO revolved around its charismatic founder, who framed his forays into politics and housing as extensions of his mission as a priest. One admiring profile called him “an interesting blend of spiritual leader, political boss, and street smart entrepreneur” (Sandler, 1997). In rebuilding the neighborhood, SEBCO and Gigante built a power base as well. SEBCO’s history shows the more institutionalized and liberal side of community development, and the rise of the community development and affordable housing industries as funding opportunities increased.

SEBCO began in 1968 as an organizing effort by Gigante, a parish priest in the Hunts Point/Longwood section of the Bronx. In 1965, Gigante used War on Poverty Funds to found the Simpson Street Development Association, which assisted residents in getting access to social services. In 1969, Gigante organized residents of Hunts Point to build a giant bonfire of wood and garbage on 163<sup>rd</sup> Street as a protest against the lack of government services, and the lack of heat and hot water in many buildings in the area. Gigante said that their message was that “we were destitute, and that we were being abandoned by the government” (quoted in Sandler, 1997). The City increased code enforcement in the area in response.

In 1968, Gigante founded SEBCO to take advantage of the Model Cities program, drawing up a complete plan for rebuilding Hunts Point. In an interview with Jill Jonnes for her book *South Bronx Rising*, Gigante talked about how one of the reasons he founded SEBCO was to ensure that funds were used in a professional manner, rather than being wasted.<sup>14</sup> Gigante said he

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<sup>14</sup> Jonnes’ notes only paraphrase her interviews, so I cannot quote them directly. Many thanks to Prof. Janet Munch at Lehman for making these available.

believed in the importance of long-standing institutions, with a level of professionalism, and found the War On Poverty idea of “maximum feasible participation” counterproductive in that it involved bypassing the professionals and giving funds to people with little experience. (This is one mark of SEBCO’s liberal orientation; Gigante thought revitalization should be led by experienced professionals, not local residents.) SEBCO was unable to implement its plan before Nixon’s 1973 moratorium on federal funding for housing due to infighting among Bronx politicians and power brokers — a group which Gigante was soon to join (Hoffman, 2004).

Gigante pursued political power in the 1970s, he said, as a necessary part of his mission to serve his parishioners. “The fact is that in New York if you don’t say it; if you don’t do it... you don’t have the power... This neighborhood was overlooked, and we wanted to rebuild it” (quoted in Sandler, 1997). Gigante made an unsuccessful run for Congress in 1970, became Democratic district leader in 1973, and was elected to the city council soon after (Jonnes, 2002). With his new political knowledge and some measure of power, Gigante was able to deliver city, state, and federal housing funds to SEBCO. Gigante ended his political career in 1978, but his contacts in City Hall continued to serve SEBCO well.<sup>15</sup>

In 1975, a private developer named Herman Kraus was looking for a way to use the new Section 8 program in the South Bronx, and Gigante negotiated to have SEBCO become a non-profit sponsor in the project, giving Kraus support and giving SEBCO an entry into housing (Hoffman, 2004). Gigante soon learned that Section 8 development could be quite lucrative, and could fund SEBCO’s operating costs. (Section 8 was a moneymaking proposition in large part because the tax benefits could be syndicated to private investors seeking tax shelters.)

Gigante and SEBCO soon started working with another Project 8 developer, and Gigante made sure that sufficient investment money flowed into SEBCO to fund it as an organization. Between 1977 and 1981, SEBCO and its partner developers built 1,070 units in twenty-six buildings in Hunts Point/Longwood (Hoffman, 2004). In the process, SEBCO became a developer in its own right. Gigante also created for-profit property management and security arms to manage the new properties. In 1981, Gigante told the *New York Times* that he founded the for-profit subsidiaries so that the organization could be more independent (Goodwin, 1981). SEBCO’s blending of non-profit and for-profit entities and support of public-private partnerships continues into the present.

Gigante was a larger-than-life and sometimes controversial figure, drawing attention as both a savior of the South Bronx and as a local entrepreneur and power broker. Some criticized him for giving himself a substantial salary, to which he responded “I didn’t take a vow of poverty... People think I don’t get paid and that I’m a saint for doing it. That’s their problem” (Goodwin 1981). He was also against what he considered an excessive government presence in the South Bronx; in the same article, he said that because most government programs create a “welfare mentality,” “he thinks it would be a bad idea for government to try a massive rebuilding effort in the area” (Goodwin, 1981).

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<sup>15</sup> Note that this is one way that SEBCO differs from later community developers — later revitalization organizations and efforts have become more technocratic and not as directly political and individual.

## **Narrating SEBCO's rise through Section 8**

SEBCO's work using project-based Section 8 proved that revitalization could happen in the South Bronx, even in the midst of the city's fiscal crisis, the reduction of essential city services, and widespread abandonment by building owners and residents. In this sense, this was a moment of innovation for community development. It was also an entrepreneurial moment for SEBCO. Pete Cantillo, who has worked in the Hunts Point area and City housing agencies since the 1970s, has been president of SEBCO since 2007. He narrated SEBCO's rise through the opportunities created by Section 8 and abandonment in an interview.

First, Section 8 was very effective in creating an incentive for developers to build affordable housing because it subsidized both construction and rents. Section 8 bridged the gap between residents' incomes and housing costs, giving the projects a stable financial foundation. Cantillo sees this as a very successful leveraging of private capital through government funding:

Section 8, you know to Nixon's credit was marrying the best of both worlds. So you had the guarantee of federal dollars both for construction and operating expenses through the Section 8 rental subsidies. And you had private builders who were allowed to syndicate their project meaning they could get investors to buy portions of their property and you know deducted from their income taxes... So it was a wonderful partnership using the tax code to get people to invest, the private sector to do the construction.

Second, because the program required a non-profit sponsor, it created opportunities for local organizations, and Gigante took full advantage of this:

But the beauty of it is they included a local non-profit sponsorship as a requirement for that... the locally based non-profit... could just lend their name and get some sort of payment for their services, or they could actually become a formal partner, and that was what Father Gigante chose to do there. He was not just lending his non-profit to somebody to build but to actually learn the business, create a management company, a security company, and a maintenance company.

Lastly, the availability of land, a new program, and a lack of other options (and competitors) meant that SEBCO had an opportunity to become a "development arm of the government:"

And so what started in 1968 as basically an organizing movement to deal with people who lacked heat and other basic services from the landlord, SEBCO became a huge development arm of the government, because this neighborhood did not have too many other options and it had the property, the vacant city owned property that had either been abandoned or destroyed and had these urban renewal sites that had never been built on. So we were in the perfect storm of having a new program that required a new developer. We had the cheap land or vacant buildings ready to be developed. And so by 1975 SEBCO started on the road to rebuilding this neighborhood.

Cantillo noted that a number of Bronx community development organizations got their start through project-based Section 8 projects, including SEBCO, Mid-Bronx Desperadoes, and Aquinas. And once the organizations gained management capacity through their Section 8 work to complement their social service arms, they were well positioned to help the City deal with the thousands of units of housing it gained through tax foreclosure starting in the late 1970s.

## **Federal housing policy leading to Section 8**

The federal government's move toward subsidizing the development of affordable housing rather than directly producing housing itself was essential to the development of an affordable

housing industry. This shift began in the 1960s, became the main model in the 1970s with Section 8, and was greatly expanded in the 1980s with the federal low-income housing tax credit program.

The project-based Section 8 program was the direct result of the efforts of the early affordable housing industry against Nixon's attempts to eliminate all federal subsidies for development and move to a voucher system in the early 1970s.

From the creation of public housing during the New Deal through the 1950s, the production of subsidized housing for low-income people was largely the province of the federal government. But in the 1960s, as production failed to keep pace with the ambitious goals of federal housing policy, the Kennedy and Johnson administrations experimented with various ways of inducing the private sector to produce subsidized affordable housing. In 1961 the Section 221(d)(3) program was created, using state-subsidized financing of new construction to create low-income housing. Edson (2013) marks this as a major turning point. From then on, the private sector would be the source of the bulk of affordable housing in the country. And in 1965 the Johnson administration created the Rent Supplement Program, which made up the difference between 25% of tenant income and HUD-defined fair market rent.

But Edson (2011) argues that it wasn't until urban unrest spurred Congress and the Johnson and Nixon administrations into action that policies and programs were put into place that really increased production. Ambitious goals with concrete targets were announced in 1968, the Section 236 program was also created in 1968, and significant tax incentives were created in the 1969 Tax Reform Act. Section 236 provided access to subsidized financing, and syndicators sold equity stakes in projects to investors in exchange for the tax losses to shelter other income. As Orlebeke (2000) notes, "For developers, syndicators, and limited partners [tax-motivated investors], investing in low-income housing is a way of doing well by doing good, especially when the federal government eliminates much of the risk by insuring the mortgage" (p. 511).

But these new programs and policies were increasingly criticized in the early 1970s on the grounds that they were costly to the federal government, that they were fundamentally inequitable, and that federal housing policy had exacerbated ghettoization. And most importantly, increasing property abandonment in urban areas brought the need for state-subsidized housing production sharply into question (Orlebeke, 2000). After a landslide reelection in 1972, the Nixon administration placed a moratorium on federal housing funding. The Nixon administration had done studies and test runs of housing allowance programs — what we now call voucher programs — in the early 1970s and planned to replace subsidies for production with a certificate program. But affordable housing and real estate lobbying groups pushed for funds for new construction as well as vouchers, and succeeded (Edson, 2011). The project-based Section 8 program as the direct result of the efforts of the early affordable housing industry against Nixon's attempts to eliminate all federal subsidies for affordable housing development and move to voucher system in the 1970s. In September 1974 the Section 8 program was created, and the production program was brought up to speed in 1975. To do a new construction or rehabilitation project, a for-profit developer and a non-profit sponsor had to apply together to HUD. If they were successful, they would get both FHA-insured financing and a contract that obligated HUD to pay the difference between 30% of the tenant's income and HUD-defined fair market rent. Owners — effectively the limited partner investors who had bought

syndicated equity — continued to receive the tax benefits created in 1969. Both project-based Section 8 and its sister voucher program supplemented tenants' rent payments, but in the case of project-based Section 8 the subsidy was attached to the unit, unlike vouchers, which move with the tenant.

Developers soon figured out how to tap into the program's potential for profit, and in 1977 the Carter administration stepped up production to attempt an effective response to a new sense of urban crisis in the wake of New York's meltdown and widespread demands for better housing from big city residents. Vouchers were lower profile than production until the Reagan administration radically changed housing policy, ending the Section 8 production program in 1983 and shifting all resources into the Section 8 voucher program (Orlebeke, 2000).

Project-based Section 8 was in fact a reflection of the federal government's attempt to withdraw from housing production, especially in the context of abandonment rather than a housing shortage. It was the innovation of New York developers and Bronx community groups to turn this program towards redevelopment, despite population loss.

### ***Establishing liberal and radical visions of revitalization***

When local responses to arson, abandonment, and disinvestment came together with a new form of funding — project-based Section 8 — in the early 1970s, this led to the development of a particular set of relationships among segments of the state, community organizations, developers, and investors that formed a template for funding community development and incorporating it into a revitalization complex. This model involved state subsidies for for-profit developers who partnered with local non-profits, who were often seen by policymakers as representing “the community.” The tax benefits of owning low-income housing were syndicated and sold to investors to raise equity to reduce the amount of debt needed to construct the project. All of the above is identical to the mechanisms of federal Low Income Housing Tax Credits, created in 1986 and the dominant form of funding for affordable housing since the 1990s.<sup>16</sup>

SEBCO's style of community development — focused on physical redevelopment, shaped by funding opportunities, and deeply engaged with the affordable housing industry — prefigured the direction that community development would take as the local state recruited it into a revitalization complex in the 1980s, providing resources and directing developers' agendas. This kind of revitalization was radical and innovative in the sense that it challenged capital disinvestment and state abandonment of the area. But it tended not to directly challenge processes of social reproduction, and as the local state and for-profit developers and investors became more involved in revitalization, this more liberal type of community development

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<sup>16</sup> The differences between the 1970s and the 1990s are telling, however. In the 1970s the federal government directly subsidized not only developers (something that is largely left up to the tax incentive of LIHTCs now) but also renters, by making up the difference between 30% of their income and the rent for their apartment. New York City was not directly involved in funding these projects, nor in shepherding them to completion. The New York City Department of Housing Preservation and Development would become much more active in redevelopment in the following years.

developed close relationships with the state, developers, and tax credit syndicators (who represent investors). SEBCO represents the development of community development and affordable housing as industries, a process that began in the 1960s, was amplified by project-based Section 8 in the 1970s, and was greatly broadened by low income housing tax credits (LIHTCs) and federal, state, and city policy and financing in the 1980s and 1990s. Through these processes community development and affordable housing became industries closely tied to the state and investors.

But radical and left-liberal visions of revitalization had gained a foothold, as well. In the wake of crisis, City policymakers were open to whatever might work,<sup>17</sup> and that included tenant cooperatives and sweat equity. An advocacy community solidified to support tenant cooperatives, community development organizations and the beginnings of a non-profit housing sector. These advocates pushed for a non-profit and tenant-owned sector that would provide the majority of the low-income housing in the city, in partnership with the local state, arguing that the private, for-profit sector had shown that it was unable to responsibly provide housing to poor and working class people. The Association of Neighborhood Housing Developers (ANHD) and the Urban Homesteading Assistance Board (U-HAB) have been anchors of this sector. ANHD was instrumental in the creation of the Community Management Program, which continued until 1994. The Community Management Program contributed to the stability and capacity of community housing organizations, which helped them become a viable alternative to private property managers when the Koch administration vastly expanded City disposition of *in rem* properties in the 1980s.

As will be discussed in later chapters, this advocacy community played an important role in maintaining support for tenant cooperatives and community development. Starting in the late 1970s with the Koch administration, City policymakers worked very hard to create alternatives to tenant and community non-profit ownership, namely a new sector of the real estate industry that could own and manage low-income housing in a reasonably responsible manner. And as alternatives emerged and the private sector gained ground in the 1980s and 1990s, City support for tenant ownership decreased. What support remained was fought for by advocates, often led by the organizations founded in the 1970s.

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<sup>17</sup> City policymakers often preferred for more liberal forms of revitalization; see chapter 3.

### **Chapter 3: The Rise Of a City-Sponsored Revitalization Complex**

New York city government underwent a remarkable transformation in its approach to the South Bronx between the fiscal crisis of 1974-5 and Mayor Ed Koch's announcement of the Ten-Year Plan for housing in 1986. During the fiscal crisis, the city reduced city services in the South Bronx and other poor neighborhoods, contributing to abandonment and extreme disinvestment. Eleven years later, the Ten-Year Plan streamlined and institutionalized a complex set of financing tools and relationships among city agencies, large non-profits, for-profit developers, and local community development corporations that led to billions of dollars being spent on housing construction and rehabilitation in the city's most disinvested neighborhoods. This was not the first time the local state had supported development, of course. In fact, the city's retreat from financing development during the fiscal crisis was the exception rather than the rule. Nonetheless, the challenge of responding to disinvestment, abandonment, and the withdrawal of the federal government from urban renewal gave rise to a particular set of formations — the revitalizing local state and the revitalization complex it convened — and a particular set of sites and fissures of struggle.

This chapter is about the remarkable growth of the revitalizing aspect of municipal government in New York City, the city's convening and cultivation of a larger revitalization complex, and struggles over the nature and implementation of City-sponsored revitalization. The City essentially took over many of the functions of the real estate market and landlord classes in poor neighborhoods and then recruited private sector alternatives to City ownership. The City's housing programs became a key site of struggle over how neighborhoods should be rebuilt: by creating incentives for capital to return (with some restrictions to make capital behave better), or by creating alternatives to for-profit landlords and speculative real estate markets. City-sponsored revitalization was contradictory because it included both these strategies, but City policymakers gave preference to for-profit actors and the return of markets where possible. Over time, as crisis receded into the past, City-sponsored revitalization focused more on for-profit entities and revitalization was increasingly naturalized as being about the return of capital. Nonetheless, the legacy of crisis and the contradictions it created in revitalization created openings for continued struggles for non-profit and tenant ownership and permanent affordability rather than gentrification.

In this chapter, I focus on two periods. First is 1977-1985, when the parameters of the revitalizing aspect of the local state were established and the City began convening, training, funding and developing relationships with the various organizations that made up the revitalization complex: local and citywide non-profit housing organizations, medium-sized for-profit property management firms, tenant cooperatives, and local banks and other funders and investors. In this section I focus on the development of this aspect of the state and the struggles between advocates of for-profit ownership (often City officials) and advocates of non-profit and tenant ownership.

The foundation of the revitalizing local state lay in the City's response to crisis and abandonment in the 1970s. While many city services were reduced and Bronxites suspected an ethos of planned shrinkage (see chapter 1), there were counter-forces pushing the City toward taking responsibility for the property abandoned by landlords throughout the poor areas of the



city. In an attempt to both clean up the tax rolls and prevent landlord-abandoned buildings from deteriorating, the City sped up the tax foreclosure process in 1976. This and a temporary moratorium on auctions led to the City becoming the owner of tens of thousands of units of housing, both occupied and unoccupied, in the areas of the city devastated by landlord abandonment. In some neighborhoods in the South Bronx, more than half of the housing was owned by the City. This tax-foreclosed, City-owned housing stock — generally called *in rem* — forced the City to deal with its poor neighborhoods and engage in revitalization.

The City's reorganized Department of Housing Preservation and Development (HPD) was tasked with managing *in rem* properties and became the central site of the revitalizing aspect of municipal government. HPD's programs and policies engaged for-profit owners, non-profit housing organizations and tenant cooperatives, and they were immediately a site of struggle among these different approaches to revitalization. Non-profit housing organizations, both citywide and local, and tenant cooperatives had already stepped in when landlords abandoned properties. This gave them experience, ideas and connections that the City wanted to avail itself of. They advocated for revitalization as creating alternatives to for-profit actors and the damaging dynamics of real estate markets. They argued that widespread landlord abandonment had shown that the for-profit sector was incapable of providing decent housing for poor and working class people.

On the other hand, HPD officials often extolled the low cost and efficiency of for-profit operators. The City's priority was to get buildings<sup>18</sup> back on the tax rolls at as low a cost as possible, and for-profit operators seemed like the best way to achieve this. City officials argued that non-profit organizations and tenant cooperatives simply did not have the capacity to deal with the problem of *in rem* buildings at the scale necessary. For-profit operators, especially compared to small, new community groups, had more experience and were better able to create economies of scale (such as having their own crews to make repairs). But for-profits' efficiency could also derive from shoddy repairs, under-maintenance, and business strategies that involved displacing poor tenants in order to raise rents.

HPD included both of these approaches to revitalization because of the geographic differentiation of various neighborhoods and *in rem* buildings. For-profit operators were not interested in many areas of the city where real estate markets were still very weak. In these areas, HPD turned to tenant cooperatives and community-based and citywide non-profit housing organizations. Advocates of protecting housing from the market pushed for City, non-profit or tenant ownership for *in rem* properties in all areas of the city, not just the ones without functioning real estate markets. This pressure was successful in some cases, but overall HPD tended to take what officials probably saw as a pragmatic approach: turn the *in rem* buildings most likely to be profitable over to the private sector, turn other buildings over to tenants and non-profits where possible and leave the rest in City ownership.

HPD's program for disposing of *in rem* buildings to for-profit owners (Private Ownership and Management Program, or POMP) begun in 1979 allows us to see how for-profit landlords recruited and regulated by HPD behaved, and what kind of revitalization they delivered. POMP landlords were generally medium-sized firms in transitional neighborhoods — low-income areas

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<sup>18</sup> HPD only disposed of occupied *in rem* buildings for the first half of the 1980s.

that had not experienced the worst devastation and abandonment but were nearby — which had not abandoned their buildings during the crisis (POMP excluded owners who had abandoned their buildings). But while POMP restricted resale and tried to ensure that owners maintained their buildings responsibly, POMP’s regulations did not change the typical fundamental motivation of medium-sized firms in poor neighborhoods, which was the price appreciation of the building rather than the operating profits. This meant that most POMP owners were interested in the program because it allowed them to acquire buildings cheaply that they could then resell in five or ten years when prices had gone up substantially. A significant number of POMP owners also harassed and displaced low-income tenants to raise rents and make room for tenants with higher incomes. In short, POMP owners were likely to advance the gentrification of buildings and neighborhoods where possible. But POMP owners rarely allowed their buildings to go into tax arrears (HPD’s fundamental bottom line), and due to this and concerns about the capacity of non-profits and tenant cooperatives, HPD officials continued support for POMP until 1991, when the program was ended by the Dinkins administration (when several POMP buildings did go into tax foreclosure; see below).

The second period discussed in this chapter is 1985-1991, when the Koch administration’s Ten Year Plan for housing was developed and first implemented. The Ten Year Plan marked a significant shift: the city began using its own capital funds for housing rather than depending on state and federal funds. This meant a huge expansion of the revitalizing local state and the revitalizing complex as the reach of City-sponsored revitalization expanded. In this section I focus on the political economic needs revitalization met and ongoing struggles around non-profit vs. for-profit ownership. The Ten Year Plan was part of a shift from a political economic orientation of austerity to an orientation of expanding growth. The city had recovered enough economically that it could borrow on the bond markets again; Koch needed to expand his political coalition; and the business community was concerned that the city’s housing shortage would scare employers away. At the same time, homelessness grew as a political problem as it rose and persisted beyond the recession and as mandates legally obligated the City to provide shelter. The *in rem* stock became an important resource for permanent housing for homeless households. And funding for homeless housing became an important source of redevelopment funds in the South Bronx, even as some Bronx boosters protested the concentration of formerly homeless households in particular buildings and neighborhoods.

The initial formulation of the Plan seems to have focused on the middle class and the homeless, reflecting the City’s focus on growth and the necessity of dealing with homelessness. Housing advocates pushed for the inclusion of low-income housing and succeeded, but because HPD used federal definitions of income categories that failed to encompass the full range of urban inequality, “low-income” was close to the median income of many poor neighborhoods.<sup>19</sup> This meant that the poorest did not receive a large proportion of the City’s housing subsidies, unless they became homeless, and people with higher incomes were drawn into neighborhoods with high proportions of *in rem* housing.

In sum, this chapter outlines struggles around the appropriate role of the City. Should the City harness the efficiency of the private sector through subsidies, or should it be protecting

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<sup>19</sup> This is also true of other forms of financing for affordable housing and revitalization; see chapter 5.

poorer New Yorkers from the depredations of real estate markets? In the end City housing policy has attempted to do both, although with a tendency toward supporting the growth of real estate markets.

### ***Development of in rem programs***

After the fiscal crisis, the development of City policies to foster rebuilding in devastated neighborhoods was significant in and of itself. Landlord abandonment and loss of population had been exacerbated by the withdrawal of City services, and even after the immediate fiscal crisis existing City policies were insufficient to meet the challenge of abandonment and the physical and social devastation in the city's poorest neighborhoods. This began to change with the passage of the "quick vesting" law in 1976, which led to a huge increase in City ownership of abandoned properties, and Ed Koch's election as mayor in 1977. Koch reorganized the City's housing department to address the problems of managing thousands of *in rem* properties.

The programs and policies developed to deal with the *in rem* program laid the foundation for future revitalization in general and Koch's Ten Year Plan in particular. Struggles around the structure of HPD's programs and the revitalization complex centered on what has continued to be a source of tension and conflict in revitalization: the role of for-profit actors and non-profits, of markets and alternatives to them. The following sections lay out the acquisition of the *in rem* stock, HPD's programs, and the struggles around this tension.

### **Quick vesting, or how the City became a major landlord**

The City's massive ownership of landlord-abandoned properties arose out of a seemingly small shift in the relationship between public and private, and specifically the relationship between municipal government and landlords. The *in rem* program began with the "quick vesting" law in 1976, when the period of tax delinquency before foreclosure was shortened from three years to one. Policymakers hoped this would encourage tax compliance, or at least get buildings into the city's hands before they were completely deteriorated (Braconi & Schill, 1999).

The passage of the quick vesting law in 1976 was a turnaround from the municipal withdrawal from poor neighborhoods during the fiscal crisis of 1974-75, and a repudiation of the articulation of "planned shrinkage" by the city's housing commissioner, Roger Starr, in 1976. The progression of *in rem* also demonstrates city policymakers' growing disillusionment with markets in peripheral neighborhoods and the new owners stepping in to buy properties. As Reiss (1996) notes, tax foreclosure is not an automatic process. "Tax delinquent housing does not automatically belong to the municipality. Rather, the city must choose to take ownership of it" (Reiss, 1996, p. 789).

The immediate impetus for the quick vesting law was not related to preventing the deterioration of housing or rescuing tenants from irresponsible landlords — these were secondary effects. Instead, quick vesting was introduced as a fiscal measure. The City was in the midst of a fiscal crisis, and critics charged that there were millions of dollars of phantom revenue on the City's books in the form of real estate taxes that would never actually be paid (DeRienzo *et al.*, 1985). This spurred Mayor Beame's office to introduce the quick vesting law to encourage

owners to pay earlier and to force the City to take off the books any taxes that would never be collected. Conservative members of the City Council supported the measure mainly on fiscal grounds. But others supported it to bring abandoned buildings into City ownership more quickly, while they were in better condition and had more tenants. Both sides knew that the new law would probably bring more properties into City ownership, but it proved to bring in many more properties than expected (DeRienzo *et al.*, 1985). In the end, the law was both a fiscal measure and a housing bill.

City policy had been to immediately auction off buildings taken through tax foreclosure, but this proved to be counterproductive in the midst of crisis. City officials soon found that auctioned properties were being bought by unscrupulous speculators who did not pay property taxes and often neglected maintenance. A 1975 HPD report by Gliedman (who became HPD Commissioner under Koch in 1979) and Elstein surveyed 166 buildings that had been taken through tax foreclosure and then sold at auction 1972-74. They found that almost all of the buildings were not only in tax arrears *again*, they were also in worse physical condition. Gliedman and Elstein conclude that because the property put up for auction generally had no long-term value — no hope for appreciation — the buildings were exploited only for their potential to produce short-term income. And short-term income is “much greater if real estate taxes will not be paid. Thus, a buyer planning to avoid tax payments can afford to bid more for a property than one who is planning to meet his tax obligations” (Gliedman and Elstein, 1975, p. 7). Thus, “current procedures result in buildings being put into the hands of owners unwilling or unable to properly fulfill their responsibilities” (Gliedman and Elstein, 1975, p. 4). Many of these owners were presumably “milking” the buildings — extracting as much rent as possible from tenants while doing no repairs, and possibly stripping the building of its plumbing and boiler. Due to analyses like this, in 1978 the city stopped auctioning off foreclosed properties, making itself the owner of last resort. By 1979, the city owned approximately 40,000 occupied and 60,000 vacant apartments (Braconi & Schill, 1999).

The City soon resumed auctions, though more carefully. Only properties that were deemed unlikely to return to tax foreclosure were auctioned off. Properties that were deemed a risk were kept in City ownership. The City also slowed down the vesting process in the 1980s, attempting to slow it to a pace HPD could handle, although this left buildings and tenants in limbo for years (Reiss, 1996).

In the US urban context, municipal governments generally intervene in private property when real estate taxes are not paid, and thus when buildings are abandoned. But this is usually a very piecemeal and temporary process. In the context of New York’s unfolding crisis, abandonment became widespread, and some real estate markets simply collapsed. This put the local state in a position where it had to deal with abandoned properties in a new and different way. Instead of immediately returning them to the private, for-profit sector, New York City chose to hold onto the properties and develop private sector alternatives to the landlords who abandoned the buildings and the speculators who milked them. The massive buildup of *in rem* properties forced the City to deal with its devastated neighborhoods, and the unreliability of the existing private sector forced innovation and created openings for alternative owners and alternative forms of ownership.

## Differentiation by profitability

HPD developed various programs to deal with the *in rem* stock, and the differentiations among them reflected HPD's experiments with how to deal with the flux of real estate markets in poor neighborhoods. There were three axes of differentiation, all related to profitability: location and all that meant for investment and rent levels; type of tenants in the building, or how much rent they could pay; and the basic condition of the building, its size, and how fully occupied it was (all of which affected maintenance costs and the rent roll, or revenues from rent).

Together, these axes of differentiation sorted buildings into three ownership types. The buildings with the greatest potential for profit and appreciation might go to for-profit owners. Buildings with the potential to be self-sustaining but not profitable went to tenant cooperatives or non-profit owners. And buildings that could not even be self-sustaining continued to be owned and managed by HPD. If the worst buildings had been sold to the for-profit sector, they would have been likely to simply end up in tax foreclosure again.

HPD policy was to get as many buildings as possible back on the tax rolls and contributing to City revenues rather than draining them. The City was using much of its federal Community Development Block Grant (CDBG) to manage the *in rem* stock. Scherer (1984), citing Stegman *et al.* (1985), notes that the City's articulated policy "has been to seek a return of *in rem* buildings to private ownership (and thereby to the tax rolls) as soon as possible. *In rem* management is ostensibly an interim situation which exists pending the prompt resale of tax foreclosed property" (Scherer, 1984, p. 961). And City and HPD officials, while applauding the dedication of community groups, often touted the efficiency and competence of for-profit owners and sought to make disposition more efficient by turning buildings over to for-profit owners whenever possible.

Location, or more precisely proximity to gentrification or massive public reinvestment, was a major axis of differentiation. Some areas, like the Upper West Side and Clinton in Manhattan, regained value quickly once the city's fiscal crisis began to pass. Buildings in such locations could command higher rents, making them more viable and more attractive to for-profit owners. Others areas, like the South Bronx, were seen as essentially hopeless; buildings there would not be lucrative investments in the practically foreseeable future. Rehabbed *in rem* buildings had to have rents competitive for their area, and thus would be forced to have low rents in low rent areas. On a very basic level, for-profit owners could not make a profit off the rents dictated by most South Bronx markets, especially if the City did not invest massive amounts in the rehabilitation of the buildings (thus reducing maintenance costs and differentiating buildings from their neighbors). And HPD programs were structured to exclude, as much as possible, owners who might increase profits by "milking" the building, collecting rents but not doing necessary maintenance.

But rents were not the whole story, or even the most important part of the story. According to a survey of developers done by the Citizens Housing and Planning Council (1989), for-profit operators who participated in the City's programs were motivated mainly by the prospect of long-term appreciation, aka gentrification. The appeal of City programs was that they could buy a building in an "improving" neighborhood cheaply and resell it after the restrictions expired (initially 5 years, later raised to 10). They also needed to be able to make a modicum of profit off

the building while holding it — they did not want these troubled buildings to sink their firm — but this was a secondary consideration.

Another axis of differentiation was the type of tenants in the building, or specifically how much they could pay in rent and what social services they might need. The problem of housing the homeless led HPD to rehab *in rem* buildings for homeless housing, and obviously it would be counterproductive to then raise rents beyond what they could pay through the public assistance housing allowance. Formerly homeless or people in other kinds of supportive housing might also need greater social services, and for-profit owners were less likely to invest or specialize in services. Community and larger non-profit organizations were more likely to be interested in owning and managing supportive housing and were more likely to be able to make the buildings work financially.

This meant that particular areas and particular kinds of tenants were slated for non-profit ownership and others for for-profit ownership. Low-income housing, supportive housing, and housing in poorer areas tended to be done by non-profits, while housing for those with slightly higher incomes and in areas with recovering housing markets might go to a for-profit. It is less clear if *in rem* disposition effectively concentrated certain kinds of tenants — formerly homeless households, for example — in particular areas. South Bronx community groups and boosters certainly suspected that homeless housing was concentrated in their neighborhoods and continue to suspect this, despite official protestations to the contrary. The question remains if the same programs and the same strategies were used for *in rem* properties in the East Village and the Upper West Side, which began to see significant gentrification in the 1980s, and the South Bronx, which has yet to see that kind of gentrification.

### **HPD programs and the struggles around them**

This differentiation assigning particular neighborhoods and buildings to for-profit, non-profit or tenant ownership was not a given. It was a site of struggle. And because HPD's programs were the site of this differentiation, their structure and the balance among them became a key point of contestation. The question of if the newly formed revitalizing state would support the growth of real estate markets or alternatives to them was at the center of this struggle. The changes in the balance among HPD's various programs show how City policy shifted toward for-profit owners over the course of the Koch administration.

HPD's structure reflected the differentiation among buildings by profitability and financial stability, and thus salability. HPD developed its own property management unit, Central Management, to manage properties that were not foreseeably salable. It also created the Department of Alternative Management Programs, DAMP, which in the late 1970s and the early 1980s was the City's main vehicle for disposing of city-owned buildings to tenants, non-profits and for-profits. Buildings that were larger, in better condition, more occupied, and with higher rent collection were more likely to be in DAMP programs and be destined for tenant, non-profit or for-profit ownership (Brower, 1989). Between one quarter and one third of *in rem* buildings were enrolled in DAMP programs (Lawson, 1986, Brower, 1989). HPD also supported new construction, mainly homeownership programs by the New York City Housing Partnership, a coalition of major businesses led by David Rockefeller, and Nehemiah, the partnership of a

veteran builder and Brooklyn churches that built houses for low-income ownership.<sup>20</sup>

City policy seemed inconsistent and contradictory because it both fostered the return of for-profit owners where possible and fostered alternatives to for-profits where markets were weak. Scherer (1984) describes *in rem* policy as “at best ambivalent. Vacillating between the competing goals of increasing real property tax revenues and preserving low-income housing stock, City policy has tended to emphasize the former at the expense of the latter” (p. 961). Complaints to this effect were common in the non-profit housing and community development sectors. HPD officials tended to emphasize the importance of real estate markets, the efficiency and competence of for-profit owners (though this was questionable, as we shall see), and the need to increase City tax revenues. HPD sought to take advantage of the re-emergence of real estate markets where possible, disposing of buildings to responsible for-profit owners. Through their programs and subsidies, HPD sought to find and grow a responsible landlord class that could replace City ownership without reproducing abandonment or under-maintenance. But for areas with weak or nonexistent real estate markets, or buildings that would become housing for the homeless or supportive housing, HPD supported non-profit or tenant ownership.

Advocates for tenant cooperatives and non-profit ownership, on the other hand, argued that the crisis of abandonment had shown that for-profit owners simply could not house low-income people responsibly. They fought the turn toward for-profit ownership even where real estate markets reemerged and argued that buildings should be owned by tenants or non-profits, even if these forms of ownership were not a last resort, even if the market and neighborhood were not in crisis. This could be either more radical, in the case of tenant cooperatives and sweat equity, or relatively liberal, in the case of community groups and non-profits that structured tenant-landlord relations conventionally. But all of these involved structuring housing to maintain affordability for low-income people, rather than bringing back a real estate market premised on speculation and growth.

The struggle between advocates of markets and advocates of alternatives to markets played out in DAMP’s various programs and the balance among them. Initially, DAMP was dominated by programs supporting non-profit and tenant ownership. But over time, for-profit ownership became more important, despite critiques of POMP. Early on in the formation of HPD and City-sponsored revitalization, HPD’s pragmatism led it to support non-profit and tenant ownership. In areas where real estate markets had collapsed and for-profit owners had little interest, both the more radical and the moderate forms of local redevelopment described in the previous chapter were pragmatic choices for HPD support. Advocates for tenant cooperatives and non-profit ownership were able to shape the structure of DAMP and its disposition policies significantly. Many advocates participated in the creation of a report by the In Rem Task Force published in March 1980 and presented to the HPD Commissioner by then-City Council representative Ruth Messinger (DeRienzo *et al.* 1985). Their report called for long-range planning and a “new sector for low income residential management and ownership” to replace real estate markets and for-profit landlords (quoted in DeRienzo *et al.* 1985). They proposed that the basis for this new sector be: 1) City ownership of abandoned, unprofitable buildings, with subsidies to keep rents affordable, and 2) City delegation of management to tenants or local non-profits whenever

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<sup>20</sup> HPD began supporting new construction of multifamily rental buildings in the 1990s, at least in the South Bronx.

possible (DeRienzo *et al.* 1985). Messenger later recounted that HPD Commissioner Nathan Leventhal “bought nearly the whole package.” She recalled his response as, “Well, we might as well try something different, because nothing else works...’ He was essentially saying... ‘We’re much less convinced than all of you that this is going to work—but we’d be stupid not to try something new’” (Carlson, 2004). Philip St. Georges, formerly the head of the Urban Homesteading Assistance Board (UHAB), the major source of technical support for sweat equity groups, was hired as DAMP’s first director.

Initially, non-profit and tenant ownership dominated DAMP. In the early years, programs supporting tenant cooperatives and management by local non-profits accounted for two thirds of the buildings in DAMP (Lawson, 1986). Under the Community Management Program, the city funded and supervised moderate rehabilitation of the building while it was managed by a local non-profit organization, and then sold the building either to the tenants or to the organization that had been managing the building. The Tenant Interim Lease program (TIL) funded much more modest rehabilitation than the Community Management Program and then sold the building to the tenants for \$250 per apartment. Lawson argues that TIL was popular with the City because it was the cheapest way to dispose of a building because it involved the least rehabilitation. Leavitt and Saegert (1988), however, note that cooperatives often had to find funds elsewhere to finish rehabilitation because the City did not provide enough funds.

But DAMP was not entirely the creature of community housing advocates. Reiss (1996) notes that DAMP was designed to “maximize the number of organizations that could take responsibility for some portion of New York City’s low-income housing stock,” (p. 793) and this meant including tenants, non-profits *and* for-profits. The Private Ownership and Management Program (POMP) was created in 1979 and was expanded over the course of the 1980s. HPD selected POMP participants from a pre-qualified list, attempting to ensure that these new for-profit owners would be from a more “responsible” segment of the private sector than the owners who had abandoned or milked *in rem* buildings. These firms rehabilitated and managed a building for a period of one year, after which ownership was transferred to them if their performance was acceptable.

HPD officials tended to support the program despite the non-profit sector’s critique of for-profit ownership in general and POMP in particular. Adler (1986), who worked for POMP, writes that when HPD was first formulating its programs for the *in rem* stock in the late 1970s, Koch and HPD Commissioner Nathan Leventhal were “convinced that the City needed the assistance of the private sector in managing its *in rem* properties” (p. 118). She argues that this was because the City needed to responsibly divest itself of what *in rem* properties it could to relieve the fiscal and managerial strain. Braconi and Schill (1999), representing the moderate-to-conservative wing of housing analysts and advocates, write that POMP “was favored by HPD officials because it allowed them to achieve high outtake volumes working with experienced for-profit contractors and managers” (p. 106). According to POMP’s supporters, the City and the non-profit sector could not handle the volume and complexity of providing massive amounts of housing. The return of the private, for-profit sector was necessary. Correspondingly, a *responsible* private, for-profit sector had to be incentivized and regulated into being.

In the geography of revitalization, POMP received the “best” buildings at first, the ones most likely to be profitable, because “HPD assumed that only these would interest private firms”



(Adler, 1986, p. 123). POMP buildings were lower risks than most City-owned occupied buildings because they had “high actual or potential occupancy rates, they were located on blocks where abandonment had not yet become widespread, and they were in relatively good condition” (Reiss, 1996, p. 796). But POMP buildings were a very specific niche: they were some of the best buildings in City hands, but the tenants were poor and often unsubsidized, which meant that rents were low. POMP buildings did not receive gut rehabilitation,<sup>21</sup> and this meant that tenants did not receive Section 8 vouchers. This forced rents to remain low, rather than being raised to “market” levels,<sup>22</sup> as was possible when tenants received Section 8 vouchers (Adler, 1986).

The arguments against ongoing City ownership of *in rem* properties were strengthened by HPD’s difficulties in managing the buildings that remained in City ownership under HPD’s Central Management. The City came to be known as a bad landlord itself. While buildings in Central Management had been rescued from landlord abandonment, they still had problems with hazardous code violations, lack of heat and hot water, and large numbers of vacant apartments (Brower, 1989).<sup>23</sup> The City also pursued a policy of “consolidating” buildings that were too expensive to repair or less than 60% occupied, demolishing them and relocating the tenants. This was an attempt to lower the City’s costs through a form of triage. Tenants and local community development groups saw this as an inefficient waste and further trauma.<sup>24</sup> The approach was reminiscent of planned shrinkage, but on a finer scale. Brower notes that for the city, Central Management buildings represented a bottomless pit for scarce funds. But for tenants, these buildings were their housing of last resort.

This was in sharp contrast to DAMP, which Brower (1989) describes as “the City’s laboratory for experimenting with the cream of the *in rem* buildings and tenants... DAMP was the *in rem* showcase in these early days, attracting young, energetic community activists and planners” (p. 24). She claims that DAMP programs commanded a disproportionate share of funding for *in rem* buildings, in large part because the buildings were destined to be sold. Instead of being an expense, they would bring in tax revenue.

## Who are the new landlords?

Through its various programs, HPD developed alternatives to the landlords who had

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<sup>21</sup> Gut rehabilitation refers to the renovation of a property where everything down to the studs is ripped out and replaced.

<sup>22</sup> Raising rents to “market” levels in New York City generally means raising them to levels closer to those allowed by the citywide rental market, rather than the local neighborhood market. In the case of poor neighborhoods with high concentrations of *in rem* properties, citywide market levels are much higher than local levels. Thus, somewhat paradoxically, raising rents to “market” levels often means disconnecting from the local market.

<sup>23</sup> Conditions in Central Management buildings improved in 1981, when the City implemented plans to improve code compliance and heating, which greatly improved rent collections — along with greater attention to evicting tenants who did not pay their rent. The City later committed to making every *in rem* unit habitable as part of the 10-Year Plan.

<sup>24</sup> Consolidations slowed after 1983, when tenants in a Bronx building sued the City to prevent its demolition. (Brower 1989)

originally abandoned *in rem* buildings. The last chapter gave a sense of what tenant and community ownership meant, and how it might — or might not — involve transformed social relations. For-profit ownership raises different questions. City-sponsored for-profit ownership was very similar to the social relations that had led to abandonment and arson, and many housing advocates were concerned that for-profit landlords would abandon again — or that they would gentrify if they could. The argument was that either way, low-income tenants would not be served well by for-profit ownership. As Andrew Reich of UHAB put it:

Many POMP firms come from the same economic situation and are similar to landlords who found it more profitable to abandon buildings in the 60s and 70s. Changes in the economic climate would cause abandonment again. It is contrary to the motives of private landlords to keep a building affordable to low income tenants — their motive is to maximize profits (quoted in Chevront, 1988).

To understand this aspect of City-sponsored revitalization and how it shapes the terrain of housing struggles in New York City — if it prepares the ground for future gentrification, abandonment, or some alternative — the key questions are who these new landlords were, how for-profit ownership was changed by new restrictions, and the fate of the buildings in the POMP program.

Adler (1986), who worked for POMP, describes the development of the program. HPD first reached out to some of the city's large real estate management firms to see if they would be interested in managing properties pro bono. They were not, and Braconi and Schill (1999) claim that many for-profit firms thought “the buildings were too run down, and populated by a tenancy that was too uniformly poor, to offer attractive investment opportunities” (p. 107).

But smaller, “well-established” real estate management firms “with proven track records in managing fifty- to seventy-year old properties in low income areas” were interested (Adler, 1986, p. 119). Ads for prospective POMP landlords in the *New York Times* asked for firms “with a demonstrated ability to upgrade older properties” (quoted in Sanders, 1986, p. 10). POMP firms were required to choose buildings close to their existing portfolio (Reiss, 1996), which meant that they had to already be established in the neighborhood. Adler (1986) describes these firms:

To date, most POMP managers have been medium-sized, thirty- to forty- year old family firms that have successfully maintained their properties during the 1960s and 1970s downturn in real-estate prices and the subsequent disinvestment. These firms, which may own and manage 450 to 700 units of low- to moderate-income housing in upper Manhattan, the Bronx, or Brooklyn, have an enormous stake in their buildings and neighborhoods... It is often a POMP firm that has managed the single standing, well-serviced building on an otherwise completely abandoned block... Through POMP, these firms are able to enlarge their portfolios without mortgaging their buildings.

From this description, it is apparent that POMP landlords were the better-behaved local landlords already in an area. They were not a new landlord class at all; they were a subset of the old landlord class. They were the owners who had found a way to make their business work without arson and abandonment. This may have been because the areas they focused on were not as devastated as others; POMP was concentrated in “improving” neighborhoods because there was little interest on the part of for-profits in the worst hit areas. These landlords might also have stayed in the neighborhood due to generational dynamics. Some buildings ended up in the hands

of “milkers” because, as one former Bronx landlord told me, the owners who had built and managed them since the Bronx was built out in the 1920s-30s had gotten too old to manage their buildings and did not want to deal with figuring out how to make a profit with poorer tenants in a neighborhood that was declining. But for whatever reason, there were for-profit landlords in “transitional” neighborhoods who continued to manage their buildings more or less competently. And it was these owners who were able to radically (and cheaply) expand their portfolios through POMP.

City agencies attempted to put safeguards in place that would ensure that POMP owners would be responsible owners. Before the first POMP contracts were signed in 1979, the Board of Estimate (one of the city’s main governing bodies before charter reform in the 1990s) “requested justification for the selection of the firm and the buildings for the contract, explanations regarding violations on the manager’s privately owned buildings, and an itemized list detailing all repairs to be made during the contract” (Adler, 1986, p. 119). Adler (1986) describes POMP’s application process as “an extremely competitive and critical part of the program” (p. 121). All applicants were required to submit current financial statements and a list of all properties they have owned or managed for the past five years. Firms that had had properties taken through tax foreclosure into the *in rem* stock were ineligible. POMP staff would review all buildings in an applicant’s portfolio through City records, roof-to-cellar inspections, interviews with tenants, and an evaluation of its organizational systems (Adler, 1986).

### **Gentrification and displacement through POMP**

Despite the attempts to ensure that POMP owners did not repeat the past sins of the for-profit sector, some POMP owners engaged in poor maintenance, tenant harassment and displacement, and gentrification — sometimes all at once. Some of these problems were addressed with longer resale restrictions, but overall POMP seems to show that because City restrictions did not shift the fundamental driver for for-profit owners — it continued to be price appreciation rather than operating revenue — City-sponsored revitalization in this case supported gentrification.

The buildings bought by Bronx and Harlem landlord Jerome Waxenberg through POMP are an example of how lack of maintenance, tenant harassment and gentrification worked together as a business strategy in “transitional” neighborhoods. Bronx landlord Waxenberg bought one of the first buildings sold through POMP, in West Harlem, for \$30,000 in 1981 with \$3,000 down. Federal CDBG funds provided \$16,248 for repairs. The resale restrictions on POMP buildings only held for five years at that point, and Waxenberg sold the building to Harry Greenbaum in 1986 for \$340,000 — more than eleven times what he originally paid for it. In 1988, when a *City Limits* reporter visited the building, it had multiple code violations, including breakdowns in heat and hot water, and tenants were being harassed for nonexistent rent arrears by a new landlord (Chevront, 1988).

In 1988, Waxenberg sold a building he had acquired through POMP in University Heights in the West Bronx (Meier, 1989). After originally paying \$50,000, Waxenberg resold it to Peter Greene for \$775,000. Greene then converted the building into a coop (not the kind of tenant-owned, low-income cooperative previously described but one of the main forms of ownership in NYC, similar to a condominium structure). Tenants who wished to buy their units could do so for \$47,000. This was cheap for New York, but expensive for low-income tenants who might not

be able to afford the monthly \$800 maintenance costs, never mind the \$12,000 down payment. Tenants who did not buy were protected and would be able to stay, but after they left the apartment would most likely not remain affordable.

Cheuvront (1988) notes that POMP buildings are concentrated in “improving” neighborhoods, where these kinds of price increases contribute to gentrification. This makes sense; POMP buildings would necessarily be located in areas where they could be profitable, and where for-profit owners are interested in exactly these kinds of windfall profits. In the Bronx, POMP buildings were concentrated in the West Bronx, especially Highbridge, West Tremont, and Fordham-Bedford (Meier, 1989) — the neighborhoods that experienced abandonment but not widespread arson and physical devastation.

Resale restrictions were then increased to ten years, with a restriction on coop conversion for 15 years (Reiss, 1996), but POMP participants were still mainly interested in the program due to the possibility of appreciation (and resale), not the smaller profits of everyday ownership. The Citizens Housing and Planning Council (1989) surveyed real estate operators about the various HPD programs, and they found a “wide diversity” of opinion about POMP. The key questions were if developers believed they could stabilize the buildings, if the neighborhood would improve, and if the buildings would appreciate. Developers who liked the program were optimistic about the possibilities for all three, with appreciation being the real incentive:

Developers who view POMP favorably are hopeful that they can profitably resuscitate the buildings. They feel that if they can complete building renovations effectively, so that operating costs are brought into line, and evict disruptive and non-paying tenants, some profit is possible. However, *the real incentive to POMP participants is that the buildings will appreciate as neighborhood conditions improve and that some years down the line, they will own a more valuable property, which cost relatively little to acquire* (Citizens Housing and Planning Council, 1989, p. 27, emphasis added).

Developers who did not like POMP were pessimistic about the long-term viability of the buildings and the prospects for improvement of the neighborhood.

POMP tenants also reported patterns of harassment, eviction, and displacement (Cheuvront, 1988, Brower, 1989, Reiss, 1996). In the context of the restrictions on POMP buildings, apartments that were vacant during the one-year management period (before the building was sold to the new owner but while already under his or her management) were especially valuable because their rents could be raised to near-market levels. Cheuvront (1988) documented several cases of POMP owners in gentrifying neighborhoods systematically harassing tenants with dispossess (eviction) notices.

In a major survey of buildings in *in rem* programs in the Bronx, Saegert *et al.* (1993) found that POMP buildings were in worse condition and tenants were less satisfied than tenants in all other programs. Troublingly, the income distribution of tenants in POMP buildings had a “missing middle,” suggesting substantial displacement of those earning between \$5,000 and \$20,000/year and their replacement with tenants earning more than \$20,000.<sup>25</sup> The lowest income tenants, with incomes under \$5,000, were more likely to be formerly homeless households who POMP landlords were required to accept and who were more likely to have Section 8 vouchers that would allow them to pay much higher rents than working poor tenants

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<sup>25</sup> The median income of renters in NYC was \$20,000 at the time (Sullivan, 1993).

without vouchers. Tenants in POMP buildings had also resided in their building for much shorter periods than tenants in buildings in CMP or TIL, suggesting a pattern of displacement (Summarized in DeRienzo, 1993).

### **Tenant cooperatives jeopardized in rising markets**

Tenant cooperatives were also an important site in the struggle over how City disposition of *in rem* buildings would relate to the geography of resurgent real estate markets. The Koch administration's commitment to tenant cooperatives wavered as early as 1979 in neighborhoods with rising rents and property values, showing that the administration's support was largely due to expediency. When other options seemed to promise faster disposition of buildings and higher prices, cooperatives were put on a back burner. The City's continued support of cooperatives was due to pressure from organized TIL tenants and advocates.

In 1979, the Koch administration slowed disposition of buildings as tenant cooperatives in certain Manhattan neighborhoods with rising real estate markets. Tenants and sweat equity homesteaders were told they could not buy their building, or that they would have to pay market prices rather than the \$250 per unit standard price in the Tenant Interim Lease program (TIL). Assistant housing commissioner Jeffrey Heintz told *City Limits*, a publication supportive of cooperatives, "this question of whether or not there is a market for the property is something else we have to face... Where there is a market, we're reluctant to become involved in deep subsidy programs" (Baldwin, 1979). In the same article a City planner is paraphrased, "the city is anxious to put this money into making buildings viable at no loss to itself." In neighborhoods with rising markets, the TIL program was not as good a deal for the City as it was in devastated neighborhoods where no one but the tenants were likely to manage a building well. Selling at the \$250 price might be criticized as a "giveaway" to tenants, the tenants would require City money to rehabilitate the buildings, and such a sale would deprive the City of much-needed revenue.

The issue was resolved in 1982, when the Koch administration extended the \$250 buy-in price to all neighborhoods on the condition that 40% of any profit on resale be recaptured by the City (for apartments appraised over \$2,000). Importantly, the administration rejected tenant proposals for income limits on purchasers and tenants' arguments that all profits should be reinvested back into the buildings, despite the fact that cooperatives often struggled to find the money for repairs (Baldwin, 1982). Lawson (1986) notes that this compromise "revealed a concern for the recapture of profits that the city usually did not have when it made subsidies to developers or corporations" and that it failed to protect buildings from gentrification. This leads Lawson (1986) to conclude:

Low-income cooperators are indeed owners of last resort. While, from one point of view, the strongest endorsement of strategies featuring tenant control has been their adoption and promotion by government agencies, the buildings passed to tenant groups have usually been unwanted lemons, and government generosity has proved likely to be withdrawn just as soon as a private landlord would offer more for them.

### **The Ten Year Plan**

The first half of the 1980s saw the growth of the revitalizing aspect of the municipal government and the formation of a contradictory revitalization complex through the cultivation

of diverse institutions and organizations. But the Ten Year Plan, articulated and developed 1985-89, marked a significant shift in City policy and the expansion of the revitalizing municipal government and the revitalization complex convened by the City. With the Plan, the Koch administration committed billions of dollars of the City's own capital funds to rehabilitating *in rem* housing and revitalizing neighborhoods, expanding investment and disposition well beyond what had previously been possible. But the Plan was not actually a plan; there were no particular projects or areas named in it. Instead, it was a commitment to a set of programs and resources for the next ten years.<sup>26</sup> The Plan streamlined financing for development in areas like the South Bronx, and radically simplified the complex process of financing of affordable housing (Schwartz, 1999).

### **Turning point: from austerity to growth**

The creation of the Ten Year Plan was a political decision, and it arose out of a political economic context of a shift in the city from austerity to growth. This involved a shift in resources and their governance (city revenues were rising as federal funding for housing was cut); a perceived need for “safe and affordable” housing to support the city's continued economic growth; Koch's political shift from enforcing austerity to supporting growth and expanding his coalition; and a perception of homelessness as a long-term phenomenon that needed to be addressed through permanent housing rather than emergency shelters.

First was the problem created by the City's reliance on increasingly uncertain federal funding to manage and renovate the *in rem* stock. Koch's own statements about the Plan point squarely to the withdrawal of federal funds as the reason for creating the Plan. When Koch announced the Ten Year Plan in 1986, he pointed to the success of the City's revitalization efforts 1978-1986, which had led to a net increase in the housing stock after years of decline. He describes this “dramatic turnaround” as possible because “all three levels of government — city, state and federal — played an active role in the housing market.” He then says this is no longer true, because “since 1981, the federal government hasn't just walked away, it's run away from housing programs, especially those for low and moderate income Americans.” But, “by significantly increasing the capital dollars available for affordable housing, today we're taking another step to bridge that gap, with particular emphasis on housing for New Yorkers below the city's median income” (NYC Department of Housing Preservation and Development, 1989, p. 5). Koch opened a 1989 booklet on the Ten Year Plan with another critique of federal withdrawal, and another statement of the City's readiness:

A tremendous increase in the commitment of city funds would be necessary to provide the housing that was needed, as well as a unified effort on the part of community-based non-profit organizations, private developers and contractors, business, and government. With all the parts and players in place, we knew we could provide housing for all New Yorkers. The result is the Ten Year Plan, our comprehensive approach to turning the city's housing situation around (NYC Department of Housing Preservation and Development, 1989, p. 1).

It was federal funding that had previously allowed the City to have a housing program at all in the midst of the fiscal crisis of the 1970s. The City had depended on federal Community Development Block Grant (CDBG) funds since the mid-1970s to fund its housing programs,

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<sup>26</sup> Koch left office four years later, but subsequent mayors maintained similar programs.

including managing and renovating the *in rem* stock since 1978. Harold Shultz, a housing analyst now at the Citizens Housing and Planning Council who began his career with HPD in code enforcement in 1974 told me in an interview that the City used CDBG funds because there was no other alternative:

By the time it gets to '77-'78, basically you take all the CDBG money that the city is getting and you use it to support the *in rem* housing stock. And that's how the city pays for it. Because there would be no other way to pay for it. The city didn't have money to pay for it. And so New York City winds up using its entire CDBG allocation to support the *in rem* housing stock. And maybe if they hadn't done that and the money had been freely available maybe they would have spent it downtown, like Baltimore and Detroit.

But fluctuations in CDBG allocations and uncertainty about the legality of using CDBG funds for the City's purposes made it an uncertain foundation for the City's housing programs.

At the same time that Reagan was cutting CDBG funds in the early 1980s, the city's recovery allowed it to return to the bond markets. The city's economic and fiscal situation had improved enough that it was able to borrow on a major scale by 1985-86. This allowed Koch to propose major new housing programs using the City's own capital funds. In 1985, Koch and Governor Cuomo both announced major new funding for housing (Purnick, 1985). In his 1985 State of the City address, Koch committed to using funds from the City's capital budget to upgrade City-owned buildings, which it had not done before. To fund this, he proposed major new financing for housing including bonds issued against the World Trade Center, an increase in the bonding authorization for the New York City Housing Development Corporation, and an expansion of the housing program of the crisis-created Municipal Assistance Corporation (New York & Mayor, 1985). Later he proposed issuing bonds against the new Battery Park City development in lower Manhattan and creating new housing funds at the city and state levels (Brower, 1989).<sup>27</sup>

The Plan expanded the revitalizing aspect of the municipal government to a massive scale. In 1985, the plan Koch proposed involved spending \$4.4 billion over 5 years to build or rehabilitate 100,000 units of housing for "middle class, working poor and low income people (New York & Mayor, 1985, p. 17). In 1986 with the official announcement of the Ten Year Plan, Koch

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<sup>27</sup> These new sources of funding for revitalization can also be seen in terms of cities' growing involvement in complex financial instruments, or the financialization of urban development and governance. Hackworth (2007) focuses on how cities have become increasingly dependent on debt with the federal government's withdrawal from support for Keynesian collective consumption. He argues that as cities come to depend on complex financial instruments, they are forced to be more "entrepreneurial," favor growth at the expense of support for social reproduction, and generally do what is necessary to maintain a good bond rating. Weber (2010), on the other hand, emphasizes the role of local governments in connecting local property markets with global financial circuits. Political regimes can use their power to exert control (or an illusion of it) over the unpredictable outcomes of property development to make it an appropriate, appealing asset for investment. New York City can be seen through both these lenses. It was dramatically disciplined through financial mechanisms and institutions during the fiscal crisis of the 1970s, and Koch's regime and subsequent mayors (especially Bloomberg, unsurprisingly) have innovated quite a few financial instruments. The effect of this on revitalization, beyond increasing funding, is not entirely clear and is a matter for future research.

committed to finding \$4.2 billion in funds and preserving and upgrading 252,000 housing units (Brower, 1989). Koch increased the funding of the Plan to \$5.1 billion in 1988 (NYC Department of Housing Preservation and Development, 1989). The Plan triggered a massive increase in City spending on housing, with annual housing expenditures rising from \$25 million in 1985 to \$850 million in 1989 (Schwartz, 1999).

The Ten Year Plan was also a response to a concern in the business community that the city's recovery was threatened by a housing shortage that could make the city unattractive to employers. A 1985 *New York Times* article presents the case for housing as a key element in the city's continued economic expansion, courtesy of the faction of business elites deeply engaged with City policy (Hinds, 1985).<sup>28</sup> The article quotes Michael DelGiudice, senior vice president at Lazard Freres and Company and Governor Cuomo's former chief of staff, as saying "We are at a crossroads... If we don't provide housing, businesses will leave the city, jobs will leave the city and people will leave the city. Not unlike what happened during the fiscal crisis." According to William Shore of the Regional Plan Association, which has been promoting the expansion of the metropolitan region since the early 20th century, continuing prosperity for the New York metropolitan region "could well depend on whether we can build enough housing... Every area [in the larger metropolitan region] is grabbing up jobs and not worrying about the housing. We project a severe shortage of housing everywhere in the region and the probability is that the area that builds the housing will increasingly get the jobs." The article's author cites RPA projections that "in each of the next five years, 35,000 new jobs will be created, 30,000 new households will try to find housing and the city's population will increase by 10,000, mostly blacks, Hispanic people and Orientals," and Shore's assessment that "the people who can afford to form households are going to put tremendous pressure on housing prices in the region and will push up the prices for everybody." The article also quotes Kathryn Wylde, the president of New York City Housing Partnership, arguing that the realization that the city's housing crisis has wider effects is leading to more support for housing: "I think things are beginning to snowball... It has reached a point in the last six months where people realize that the housing crisis affects everybody and that it is not just a social service problem."

The Plan was also part of Koch's political shift from an austerity agenda —reestablishing the city's financial footing by balancing the budget and getting more state and federal aid — to supporting growth. According to housing advocates, at first the Plan served only middle class and homeless households, presumably to support the city's continued economic growth and because the City had a legal obligation to provide shelter to the homeless. Housing advocates argue that it was only pressure from them that led the Koch administration to expand the Plan to low income households (DeRienzo 2008). Soffer (2010) and others argue that Koch introduced the Plan as a way to strengthen his mandate and expand his coalition to include minorities. This does not seem to hold for the original outline of the Plan. But by 1988-89, as the Koch administration was rocked by scandals in the midst of a reelection campaign, Koch may have emphasized the populist appeal of the Plan to expand his own appeal. Koch had risen to power on the combination of a promise to restore the city's budget and financial control, and on an

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<sup>28</sup> This is a significant shift from the 1970s, when elites promoted the rebranding of the city's core at the same time that the city's peripheries were subjected to planned shrinkage and service cuts (Greenberg 2008). By the mid-1980s, the whole city needed to be recuperated.



electoral coalition of Manhattan liberals and inner and outer borough Jews and Catholics. He tended toward law-and-order and conservative rhetoric to appeal to his core constituencies among white ethnics, alienating people of color and the politicians who represented them. But by 1983-84, with the city's budget balanced and back under mayoral control and tax revenues increasing, Koch had to do more than effectively implement austerity measures and boost the city's confidence. Soffer (2010) argues that he chose to try to expand his coalition to include people of color, and the housing plan was a key part of this strategy. Koch also needed to mitigate the effects of corruption scandals among the Democratic machine regulars he had allied himself with.

### **Housing the homeless: an entitlement to shelter**

Housing for the homeless deserves a fuller discussion because City policies around homelessness have had such a significant impact on the South Bronx and other poor neighborhoods. Efforts to keep costs down for homeless housing and supportive housing lead to it being sited in areas with the cheapest land prices, like the South Bronx. Funding for homeless housing has financed significant redevelopment in the South Bronx, but it has also been criticized by Bronx boosters as re-ghettoizing the South Bronx. This debate continues around homeless shelters and supportive housing to this day.

Homelessness had a significant impact on housing policy in New York City for two reasons. First, over the course of the late 1970s and throughout the 1980s, homelessness increased in the city, becoming a political problem. Second, an advocacy community succeeded in creating an entitlement to shelter, or at least emergency shelter, in New York State. This changed the terrain for the City, forcing subsequent mayoral administrations to deal with housing the homeless in some way or another. The *in rem* stock became an important resource for housing the homeless, especially with the additional funding for renovation created by the Ten Year Plan.

Homelessness had always existed in New York City, but before the 1970s homeless people (mostly men, except during the Depression) and services were generally concentrated along the Bowery in the Lower East Side. But with the impact of deindustrialization and the city's crisis, by 1976 homeless people were visible "from midtown to the Upper West Side" (Vitale, 2008, p. 75). And as homelessness continued to rise, City shelters began to turn people away and conditions in the shelters deteriorated under the strain.

As homelessness rose, an advocacy community of service providers for the homeless pressured the City through the courts and the media to expand services and improve conditions (Kirchheimer, 1989). In 1979, the Coalition for the Homeless brought a class action lawsuit against the City, charging it with a critical shortage of beds and dangerous, unhealthy conditions in existing shelters. The court held that the city had an obligation to provide emergency shelter due to a clause in the New York State Constitution that "aid, care, and support of the needy is a public obligation," which had been drafted into the Constitution in 1938 at the height of the Depression (Hayes, 1987). This led to a consent decree that guaranteed a shelter bed on demand and created standards of quality for shelters and hotels used to house the homeless (Kirchheimer, 1989). As homelessness expanded to include large numbers of women and later families, this decision was the basis for expanding the shelter entitlement to them.

The City first responded by expanding large, barracks-style emergency shelters with

thousands of beds in former armories, schools, and hospitals. Rising shelter costs accompanied rising homelessness. The city's annual spending to operate shelters went from \$8 million in 1978 to over \$100 million in 1985, plus a new allocation for emergency shelters for homeless families that rose to \$100 million by 1985 (Kirchheimer, 1989).

And as homelessness continued to rise, even during the boom of the 1980s, the political winds began to shift toward seeing homelessness as a permanent phenomenon rather than a recession-induced temporary problem that could be dealt with through emergency shelters (Kirchheimer, 1989, Culhane *et al.*, 1999). Homelessness became a political problem for Koch as well as emergency and punitive measures failed to solve the problem and service providers and advocates turned against Koch's "get tough" persona (Vitale, 2008). Thus toward the end of his administration, in 1988-89, Koch proposed long-term responses to homelessness. These included accelerating the rehabilitation of *in rem* housing, priority placements in public housing, and creating incentives for landlords to accept homeless families as tenants (City subsidies supplementing Section 8 vouchers) (Culhane *et al.*, 1989).

The *in rem* stock was an important resource for housing homeless households. In 1983, HPD adopted a policy of filling vacancies in *in rem* buildings with people referred through the shelter system (Braconi and Schill, 1999). According to Braconi and Schill (1999), private owners were not interested in housing homeless families, and NYCHA resisted weighting the income mix of its tenants further toward the very poor. Housing homeless households in *in rem* buildings also helped the Koch administration move homeless housing from midtown "welfare hotels" to the outer boroughs (Hinds, 1985). But at the same time, as HPD streamlined its management practices and evicted tenants of *in rem* buildings who were not paying rent, it may have contributed to homelessness (O'Flaherty, 1992).

It is important to note that even at the same time that the Koch administration scrambled to address homelessness in both the short and long term, other city policies simultaneously contributed to homelessness. The causes of the rise in homelessness in the 1970s and 1980s were complex — including inflation rates, unemployment, wage stagnation, deinstitutionalization, reduction in social services, and patterns of drug addiction (see Wolch *et al.*, 1988 for an overview). But these were exacerbated by gentrification. Koch's support for gentrification, a central part of his strategy to rebuild New York, raised housing costs across the board and eliminated housing for the poorest and most in need of help. The impact of gentrification on SRO hotels in Manhattan especially contributed to the problem (Soffer, 2010).

### **Who will the Plan serve?**

As the Ten Year Plan was being developed, the question of what income categories — what classes — it would serve was one of the key sites of struggle. It raised questions about what kind of future was envisioned for NYC's poor neighborhoods, and what kind of economic and social life was being revitalized. And it would lay the groundwork for future City policy. It was a key part of determining the resources and pressures that would be institutionalized that would shape the terrain of revitalization efforts in particular neighborhoods.

The key differences between the City's agenda for *in rem* properties and the revitalization of poor neighborhoods, on the one hand, and the agenda of non-profits and community groups in poor areas, on the other, are revealed by a behind-the-scenes struggle in the formulation of the

Ten Year Plan. DeRienzo (2008) describes how an inclusive advocacy group, the Housing Justice Campaign (HJC), formed to influence City housing policy in 1985. Due to the diversity of its members, HJC's agenda was more than a call for the creation and preservation of affordable, low-income housing (although that was included).<sup>29</sup> HJC included organizations that wanted middle-income housing, including groups in the South Bronx. DeRienzo (2008) summarizes their stance as, "we've got enough low income housing in our area!" (p. 48) Thus HJC's plan called for city funds to be allocated based on housing need and to be used for a mix of incomes. They believed "no city funds should be used for housing those who were capable of housing themselves" (DeRienzo, 2008, p. 49).

HJC had been working with a deputy commissioner at HPD and believed that their proposals would substantively influence City policy. But when the group met with HPD to hear details of the upcoming Plan, they were told that it would target only the homeless and the middle class. The group was "appalled that the needs of poorly-housed low-income people were being ignored," and that the City's plan would concentrate the homeless in targeted neighborhoods, ignore those most at risk of becoming homeless, and use public funds for middle class housing, which could house itself (DeRienzo, 2008, p. 49). The group held an impromptu news conference revealing what they had heard of the City's plan. HPD officials quickly added a third program for low- and moderate-income households. Although the City would never admit that low-income housing had not been part of the plan all along, DeRienzo is convinced that it was added in direct response to the Housing Justice Campaign's criticism and action.

But once the Plan was implemented, the very categories of low-, moderate-, and middle-income became a site of contestation, as well as the proportion of housing serving each in the Plan. Brower (1989) critiqued the Ten Year Plan in 1989 for not actually serving low-income households and effectively gentrifying neighborhoods. She charged that while the Koch administration presented the Plan as benefiting mainly low-income people, it would in fact saturate the South Bronx and areas like it with development for either the homeless or people with incomes much higher than local incomes, despite the label of "low income housing." This was because many low-income units were not accessible to many because they were reserved for homeless households; many low-income units were not protected beyond rent regulations and thus landlords could raise rents beyond affordability over time; and lastly, the income categories specified in the Plan were artificially high and defined "low income" in a way that included households making almost the city's median income.

The problem of defining income categories has persisted. Income categories for subsidized "affordable" housing in NYC are generally defined in relation to definitions set by the federal Department of Housing and Urban Development (HUD), which involve income categories defined by percentages of median income. For example, HUD defines the upper threshold of the low-income category for federal low income housing tax credits as 60% of median income. Both the scale of the area chosen to calculate median income and the percentages chosen greatly influence how income categories, and thus affordability, are defined. The Ten Year Plan did not use HUD categories directly, but it did use HUD's median income for the New York metropolitan area, which includes several wealthy suburban counties, rather than the median

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<sup>29</sup> DeRienzo (2008) writes that the group included "CDCs, church groups, homeless advocates, and social service organizations" (p. 48).

income for the city alone. In 1989, HUD's median income for the metropolitan region was \$32,000, while the median income for the city alone was \$20,000 (Brower, 1989). This meant the Ten Year Plan's low-income category — 60% or less of metropolitan median income — topped out at \$19,000, almost the median income for the city as a whole. And income designations were made on a citywide basis, not based on the incomes of residents of the neighborhoods where the housing is developed.

This meant that in poor neighborhoods — where most *in rem* housing was located — the people eligible for low-income housing made more than the local *median* income.<sup>30</sup> Expanding this income range inflation to the other income categories of moderate- and middle-income meant that 90% of New Yorkers were technically eligible for subsidized housing, and much of the new and rehabilitated housing would be too expensive for people already living in the South Bronx. At its most extreme, this meant the City's targeted homebuyer income was 353% higher than the median renter income in the six South Bronx neighborhoods targeted for thousands of homeownership units (Brower, 1989). Brower (1989) charged that because the Plan would bring in many people with higher incomes, rents would rise and poorer residents would be displaced, essentially gentrifying poor and working class neighborhoods.

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<sup>30</sup> This same issue, with the same foundation, has shaped “low-income” housing ever since, especially as the federal Low Income Housing Tax Credit has become the dominant form of financing (see chapter 5).

## Harnessing the efficiency of the private sector through subsidies

With the municipal government at the center of revitalization, the Ten Year Plan continued to be a key site in the struggle over ownership structures. In the struggle waged on the pages of reports by competing organizations and in the media, two fronts emerge. One was in the debate at the inception of the Plan over whether the City should hold onto some number of *in rem* properties and maintain them as a long-term low-income housing resource. Many in the non-profit and community housing advocacy community promoted this idea (see DeRienzo *et al.*, 1985, *In Rem Working Group et al.*, 1986). But this idea does not seem to have greatly influenced the Ten Year Plan, which instead focused on ramping up HPD's disposition programs.

HPD and City officials often emphasized the importance of reducing the number of *in rem* units managed by the City, and they touted the ability of the for-profit sector to cheaply and efficiently take on *in rem* properties. This was in part because the City was coming to be known as quite a bad landlord itself. Occupied *in rem* properties that had stayed in HPD's Central Management were plagued with problems. And this was, in part, due to the fiscal fact that *in rem* properties cost the city money rather than bringing in tax revenues. But this was also part of a political commitment to privatization (a commitment that was taken to new heights under Giuliani).

In his 1985 State of the City address, where he introduced the idea of direct City financing of revitalization and *in rem* renovation, Mayor Koch addressed the private sector, "My proposal will provide subsidies and financing. It will also eliminate unnecessary obstacles and show the private sector that the City is serious when it says — 'We want you to build housing'" (New York & Mayor, 1985, p. 16). The same year, HPD Commissioner Anthony Gliedman told the *New York Times* that the best solution to the city's housing shortage "is to get the private sector, with its avarice, to do a positive deed at the same time it's making money" (Hinds, 1985). In 1987, the new Commissioner of HPD, Paul Crotty, told an interviewer that while non-profit housing developers were "terribly important in terms of neighborhood preservation," they did not have the financing and development skills the City needed to produce and renovate housing at the larger scale the Ten Year Plan called for (Talking with the Commissioner of Housing, 1987).

But at the same time, this kind of housing was still not profitable — unless subsidies were provided. HPD Commissioner Crotty told an interviewer in 1987 that the private sector would not produce housing for the 50% of the city making less than \$15,000/year because it would mean not making a profit (Talking with the Commissioner of Housing, 1987). Hinds' 1985 article on the "housing supply issue" claims that even at the official median income for the city — \$12,797 — 30% of a renter's income would not cover the operating costs of an apartment, using the cost of maintaining and operating public housing units.<sup>31</sup> And because the "costs of land, labor and construction materials in New York are the highest or among the highest in the country," developers claimed they could only build housing affordable to the city's top 4-5% of

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<sup>31</sup> This may be a spurious comparison, given that for-profit owners were supposedly so much more efficient than the government or nonprofits.

income earners without subsidy. (Hinds, 1985).

With this, we see HPD officials framing the City's role as harnessing the efficiency of the private market through subsidies. Or, to put it another way, reconstituting a market and new landlord classes through disposition of City property, subsidies, and advantageous financing. This is fundamentally different from the vision advocates of tenant cooperatives and non-profit and community ownership had for the City's role. They wanted the City to act as a bulwark against the depredations of real estate markets, prioritizing the needs of low-income tenants rather than prioritizing City revenue and growth.

### **The expansion and elimination of POMP**

The other front in the debate around appropriate ownership of low-income housing continued to be POMP, the Private Ownership and Management Program begun in 1979. Opponents of POMP were against private ownership of *in rem* buildings because they feared the units would not be kept affordable, and neighborhoods would be at risk of returning to a cycle of deterioration and abandonment.<sup>32</sup> On the other hand, supporters of POMP argued that tenants were better served by responsible private owners than City ownership and management (Citizens Housing and Planning Council, 1989). The Koch administration supported POMP because it cost the city substantially less than other programs, and they needed to show the success of the Ten Year Plan in an election year. Problems with some POMP landlords led to the elimination of the program in 1991 under Mayor Dinkins.

HPD greatly increased the number of buildings in POMP as part of the Ten Year Plan. This shifted the balance in HPD's disposition programs for occupied buildings away from tenant ownership and toward for-profit ownership. In 1980, TIL, supporting tenant cooperatives, was by far the largest program in DAMP, with 5,816 units enrolled in 1980. CMP, supporting ownership by community groups, had half that many in 1980, and POMP about one-sixth: 1,230 units. By 1989, CMP had decreased slightly in unit count (from 3,091 to 2,713), TIL increased slightly (5,816 to 6,918), and POMP had increased six times (1,230 to 6,217), with the increase starting in 1986 (Citizens Housing and Planning Council, 1989). Between 1988 and 1989, POMP's budget was projected to increase from \$10.5 million to \$40 million (DePalma, 1988). By the time POMP was eliminated and the buildings remaining in its pipeline had been sold, it accounted for nearly half the units disposed of between 1990 and 1993 (Braconi and Schill, 1999).

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<sup>32</sup> POMP seems to have remained the main lightning rod for criticism of the for-profit sector during the Koch and Dinkins administrations despite the fact that a number of other programs were created to sell *in rem* properties to the for-profit sector as part of the Ten Year Plan, and these programs disposed of tens of thousands of units to for-profit owners (along with programs that disposed of a smaller number of units to non-profits). This may have been because the newer programs disposed of vacant *in rem* properties, while POMP was the only program that disposed of occupied *in rem* properties to the for-profit sector. And there were no sweat equity or tenant ownership programs for vacant buildings or new construction included in the Ten Year Plan, beyond the more traditional homeownership programs run by the New York City Housing Partnership and Nehemiah.

As the Ten Year Plan was being formulated and revised 1985-1989, Koch and HPD officials engaged in a public relations campaign for POMP, making statements about the effectiveness of the for-profit sector and the need for the City to reduce the *in rem* stock. Abraham Biderman, HPD Commissioner in 1989, said, “I don’t believe that the city can skillfully manage forever 4,000 occupied buildings” (Meier, 1989). In a 1988 newspaper article, Koch and Biderman seem to have accidentally made both sides of the argument (Murphy, 1988). Admitting that his administration “is doing a poor job of managing thousands of apartment buildings it has seized for back taxes,” Koch told the reporter, “Government can’t run the shoddiest property in the country . . . These are the worst properties in America, that have been abandoned by their landlords.” Of the City’s huge stock of *in rem* properties, Koch remarked, “No landlord in the private sector does that, and you think government is going to be more efficient?” Koch said he was convinced by a tour of city-owned buildings “that buildings that had been turned over to private management were much better run,” and that POMP should be dramatically expanded. “They collect rents more efficiently than we do, and they manage repairs a lot better than we do,” Koch said. This somewhat odd collection of statements against City ownership and for private ownership — but admitting that the properties were near impossible to run and abandoned by their previous landlords — implied that something fundamental had to change in how the buildings were run.

Part of this public relations push was due to election-year pressures. The Koch administration was eager to show that the Ten Year Plan was working to dispose of buildings, thus addressing negative publicity about HPD’s poor management of *in rem* buildings (Meier, 1989). But presumably this was also about showing that *for-profit* owners were the best alternative to City ownership. This is quite a different narrative of redevelopment and revitalization than the one around sweat equity in the 1970s, which heralded the resourcefulness of sweat equity homesteaders, using their own labor to renovate buildings abandoned by professional landlords (see previous chapter).

HPD officials’ affection for POMP was due to the speed and low cost that POMP owners were able to deliver. HPD Commissioner Biderman told the *New York Times* in 1988 that while HPD intended to continue supporting tenant cooperatives, “private owners make repairs faster and get their buildings to the self-supporting stage quicker than tenant co-ops” (DePalma, 1988). In 1985, the HPD assistant commissioner in charge of DAMP said, “POMP is a very effective program where it is appropriate. You have professionals doing their own repair work using in-house crews” (DeRienzo *et al.*, 1985, p. 36).

And with this speed and efficiency, the City’s costs were significantly lowered. Operation and management costs in POMP buildings were two-thirds what they were in central management (Adler, 1986). The Mayor’s Private Sector Survey, done by the business community in 1989 and which generally promoted privatization, noted that for each unit disposed of, “the City can save \$2,100 in direct operating costs and also return the property to the tax rolls” (quoted in Reiss, 1996, p. 809). HPD’s own accounting was that the City would receive \$22 million total for the 97 buildings sold through POMP in 1990, including property taxes, water and sewer charges, down payment, debt services, and cost avoidance by HPD (Reiss, 1996).

But POMP owners’ speed and efficiency often came at the cost of tenants and future

affordability, and eventually POMP's critics were able to have it eliminated. There had been problems with POMP buildings since the inception of the program, as described earlier in this chapter. Some POMP owners had harassed tenants, leading to displacement; failed to maintain their buildings, leading to numerous code violations; and resold the buildings for windfall profits, leading to the charge that the City was simply facilitating gentrification. Advocates of non-profit and tenant ownership also charged that HPD did not give tenants enough of a chance to organize a tenant cooperative before putting a building in POMP and that POMP did not sufficiently protect affordability, leading to the loss of affordable units (Brower, 1989, DeRienzo *et al.*, 1985).

In 1991, nine buildings sold through POMP were abandoned by their owners and had to be managed by court-appointed administrators, and this was well-publicized in the media (Reiss, 1996). That same year, the city Comptroller released an audit of POMP, initiated due to critics' organizing. The audit found that while POMP was generally successful at returning buildings to the tax rolls — few ended up in tax arrears — it also showed that HPD had continued to sell buildings to landlords that had failed to correct dangerous violations in buildings they had previously bought through POMP. With Mayor David Dinkins in power, this led to the elimination of POMP (Reiss, 1996). This was far from the end of the disposition of *in rem* buildings to the for-profit sector, however. Part of Rudy Giuliani's campaign platform was the privatization of the City's housing stock, and he almost entirely eliminated City ownership in cases of tax foreclosure.

### **Bringing revitalization up to scale**

Little has been written on the geography of the Ten Year Plan; most accounts address it as a set of policies and forms of financing that applied to all of the *in rem* stock and do not chart how these programs played out concretely across the terrain of the city, as I began to do in the earlier section on differentiation by profitability of *in rem* programs. Here I want to suggest a partial geography of the Ten Year Plan, a tantalizing glimpse based mainly on an interview with Harold Shultz, formerly with HPD and now with the Citizens Housing and Planning Council (CHPC). CHPC is a venerable institution dating back to 1937 when Senator Robert Wagner convened a group of intellectuals and activists to help craft the National Housing Act of 1937. Politically, it is pro-business but against the more speculative and exploitative aspects of real estate capital. They believe in the importance and efficiency of the for-profit sector, and believe that with reasonable regulation the real estate industry can be made responsible as well as profitable. They are neither pro-tenant nor anti-tenant, and they tend to be very close to the City (a former HPD Commissioner is currently head of CHPC). Shultz's description of the programs of the Ten Year Plan and its geography is an example of this perspective both within HPD and of its closest allies.

According to Shultz, the main feature of the geography of the Ten Year Plan was that HPD was attempting to bring revitalization up to scale. This meant that all *in rem* properties would eventually receive some kind of investment and be disposed of to the private sector, either for-profit or non-profit. But it also meant concentrating development in nodes so that the new development would be "self-supporting" and be more likely to succeed. Shultz told me that self-supporting could mean a number of different things. It can mean renovating and filling a cluster of vacant buildings so that the new tenants are not isolated and want to live there. It can mean



ensuring that there is a critical mass of population in an area so that stores and other services are likely to emerge. It can also mean restoring enough of a real estate market to an area so that the new landlords want to stay as well. Another aspect of this attempt to create self-supporting development was that HPD started in neighborhoods they thought were more viable, like Washington Heights in upper Manhattan, or the west and northwest Bronx. The South Bronx would receive HPD investment a little later.

The various programs of the Plan all attempted to create this kind of scale in some way. The Construction Management program contracted with big for-profit developers to rebuild entire neighborhoods, rehabilitating 20-30 contiguous buildings. The new neighborhoods were then turned over to new owners that could manage buildings on this scale, mostly for-profits but including some non-profits. (The citywide non-profit New Settlement Houses took ownership of one of these new neighborhoods in the west Bronx and has acted as a stabilizing force there ever since.) The Vacant Building program disposed of smaller collections of vacant buildings, generally to for-profit owners.

Where HPD had significant amounts of empty land, Shultz recounts that the preferred use was often homeownership. HPD partnered with other organizations to create the two main housing programs, The New York City Housing Partnership and Nehemiah. Nehemiah was created by East Brooklyn Churches (affiliated with Alinsky's Industrial Areas Fund) in collaboration with veteran builder I.D. Robbins to create very low-cost homeownership housing. The Nehemiah program took advantage of existing sewer, gas, and other infrastructure — the advantage of building in a devastated neighborhood. While Nehemiah built homes for low-income homebuyers, the New York City Partnership built homes, usually rowhouses, for moderate- and middle-income homebuyers. The Partnership was founded by David Rockefeller and was funded by corporations invested in the fate of the city. Shultz calls the Partnership homes HPD's "model for low density neighborhoods where you had a lot of empty land."

These programs had significant effects on the neighborhoods in which they were most active. Because the Plan used *in rem* properties as its raw material, its activity was concentrated in poorer neighborhoods that had a lot of *in rem*. Plan activity constituted a major part of the housing market in the city during a slow period, especially in the Bronx and Brooklyn, where it was more than half of new construction starts (Van Ryzin and Genn, 1999).

### ***Revitalization shifts toward the return of capital***

In this chapter, I have emphasized the formation of a City-centered revitalization complex and the struggles within it. The emergence of state-sponsored revitalization did not involve just the creation of a revitalizing aspect of the municipal government, centered on HPD, but also the creation of a revitalization complex. New York City expanded the capacity and responsibilities of the state — specifically the local state — through the *in rem* programs and the Ten Year Plan, but it did it in a way that emphasized the involvement of the private sector, both for-profit and non-profit. In the context of the city's fiscal crisis and neoliberal turn, a simple expansion of the City's reach would not have been possible on either a practical or an ideological level.<sup>33</sup> Thus,

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<sup>33</sup> The City's convening of a revitalization complex resonates with accounts of both rollback and roll-out neoliberalism (Peck and Tickell, 2002).

creating a revitalizing municipal government meant convening a revitalization complex that involved for-profit housing developers willing to operate responsibly in revitalizing areas, local and citywide non-profit housing providers, the intermediaries who provided the structure for tax syndication and technical assistance to community organizations, the community development arms of banks, major corporations (through the Partnership for New York City), local elected officials, and others. This revitalization complex allowed the City to complement the expansion of some of its own capabilities with disposition of *in rem* buildings to non-profit and for-profit managers and owners, funding through tax syndication that supported private investment, lending from banks eager for Community Reinvestment Act points, etc. And as the City perfected its processes, this complex became an efficient, streamlined way to dispose of City-owned properties and create subsidized affordable housing.

The revitalization complex included participants with very different approaches to revitalization, especially in its early years. These ranged from revitalization as state subsidies to encourage the return of capital, revitalization as autonomy from capitalist social relations via tenant and community organization ownership, revitalization as heavily regulating capital, and combinations of these. This was an extension of the fact that the City availed itself of every possible kind of management as it was developing its programs. There were struggles within the revitalization complex over the very meaning of revitalization. Should revitalization serve the poor, or ameliorate their supposed negative effect on neighborhoods? Should it court and regulate a capitalist class back into poor neighborhoods with subsidies, or should it replace for-profit owners with tenant and non-profit ownership, fundamentally changing real estate markets?

But while I argue that revitalization continues to include contradictory visions, the balance among them has shifted over the years. Revitalization has come to be increasingly dominated by the version that emphasizes the return of capital (though how regulated this capital should be was still a matter of intense debate). Tenant cooperatives and sweat equity were no longer celebrated as the poster children for scrappy local revitalization in the midst of abandonment. Tenant cooperatives continued to be supported, but sweat equity homesteaders were not. Harry DeRienzo, writing in 2008, pointed out that sweat equity the way Banana Kelly did it is simply not possible now:

If a group of residents now takes over an abandoned building, they are not lauded as “urban pioneers,” they are branded “squatters” and arrested. Today, no group would be able to take over abandoned buildings (including privately owned buildings) and fashion a construction training program around their rehabilitation — and eventually convince a government agency to pay the cost, as we did in 1977 (p. 19).

The question of how and why the conventional wisdom of revitalization has changed is complex, and one that I intend to continue to investigate. The growing distance from the crisis of the 1970s is undoubtedly part of the story. But this shift was not simply about inevitable, impersonal economic forces. The City’s policies and programs had fostered the growth of relatively competent owners of every type: tenants, community and non-profit groups, and for-profit companies. These were the new landlord classes that the City had recruited. But as markets improved, the City moved toward for-profit owners. The terrain of struggle shifted, so that older struggles were resolved and naturalized. The City would not hold onto its *in rem* stock, despite the calls of non-profit housing advocates for a long-term, City-owned stock of public housing. Disposition to for-profits would expand and come to dominate disposition efforts. And in the

1990s, Mayor Giuliani would eliminate *in rem* entirely as a mechanism and a housing stock.

## Chapter 4: Planning and Community In the Revitalization of the South Bronx

On November 12, 1992, residents and business owners from Melrose, a South Bronx neighborhood, took over a public forum intended to introduce the Bronx Center project and the Melrose Commons Urban Renewal Plan, shouting down the well-intentioned planners who presented the projects. Several years later, Melrose leader and business owner Yolanda García remembered residents' attitude as, "when the city came up with its Melrose Commons plan we said no more — they can't throw us out like yesterday's garbage" (Peirce, 1995).

At that point, the Melrose Commons Urban Renewal Plan was part of the Bronx Center plan to transform the Bronx by creating a new downtown, a new center for the borough. The Melrose Commons area was 60% vacant land and buildings (Rothstein, 1994), and Bronx planners and officials saw this as a heaven-sent opportunity to undertake transformative, large-scale planned development.

This conflict had an unusual conclusion. Instead of Melrose residents and the planners affiliated with the state remaining in conflict, they developed a collaboration where the planning professionals gave Melrose residents access to planning processes and decisions, and Melrose residents took on many of the concerns of the planners and incorporated them into a community planning process. This led to the creation of an alternative Melrose Commons Urban Renewal Plan (URP) and a hybrid form of revitalization. While this hybrid revitalization left certain key features of state-sponsored revitalization in place (a commitment to growth through attracting new residents foremost among them), it was fundamentally different from many forms of revitalization in that it tried to make the growth and well-being of existing residents the foundation of revitalization.

The first Melrose Commons plan was part of a response to and critique of City redevelopment policies, especially the piecemeal nature of redevelopment by *in rem* disposition programs and the practice of housing homeless households in renovated *in rem* buildings. As the South Bronx stabilized and Mayor Koch announced a major investment in the renovation and development of city-owned properties and land in the latter half of the 1980s, Bronx Borough President Fernando Ferrer proposed a Bronx-centered liberal vision of revitalization that would transform the image and reputation of the Bronx — and thus increase public and private investment in the Bronx and shift investment toward growth rather than allowing the Bronx to be treated as a "dumping ground" for unwanted uses and people. His Bronx Center project (of which Melrose Commons was a major part) was intended to transform the image of the Bronx and thus make it more attractive to investors and better treated by City, State, and federal policies.

Ferrer's plan was intended to change the Bronx's image and its position in the region's hierarchy of places. But it did not challenge the ideology and practices creating a hierarchy of places; rather, it attempted to change the Bronx's position within a system mostly taken as a given. In large part Ferrer's plan implicitly accepted the positioning of poor people, and especially homeless people, as detrimental to long-term growth and revitalization. Ferrer's plans for redevelopment as articulated in the borough's 1990 Strategic Policy Statement emphasized

the need to create “socio-economic diversity” by balancing out the existing population of low-income people in the Bronx with new development that attracted moderate- and middle-income households. In the case of Melrose Commons, this would have involved the displacement of hundreds of residents and 80 businesses (Angotti, 2008).

Thus, with the first part of this story, recounted in the opening section of this chapter, we have a borough-centered revitalization coalition, convened by the borough-level state, pushing back against the functional specialization of the Bronx as a site for unwanted people and uses through City (and other) policies and proposing instead a liberal vision of moderate- and middle-income urban redevelopment. The invisibility of existing Melrose residents in the original plan enabled and foreshadowed their proposed physical displacement and social erasure.

But this vision was challenged by the residents of Melrose Commons. The plan would have required large-scale clearance and displacement, and very few of the existing residents would be able to afford to live in the new development. Residents protested and mobilized around the claim that Melrose Commons was *their* community because they had stayed when the City and many landlords had abandoned the area. They founded the organization Nos Quedamos/We Stay to advance their claim that they had a right to benefit from the improvements and future prosperity now proposed, and that rather than revitalization being predicated on their removal, current residents should instead be the foundation of growth and improvement. This shifted the foundations of revitalization. This is the second part of the story and the second section of the chapter.

The Melrose activists were victorious in some important ways. The professionals charged with creating a plan for Bronx Center were open to collaboration, and together residents and professionals implemented a creative community planning process. The Urban Renewal Plan (URP) that came out of this process prevented involuntary displacement and created a much more architecturally and socially diverse redevelopment, and likely more housing for low-income households. The planning process for Melrose Commons was an important example of community organizing for self-determination and has inspired many planners and community activists.<sup>34</sup>

The third section of this chapter discusses the hybrid revitalization plan that finally emerged in the form of the URP. While the Melrose activists transformed the URP and the practices of the planners they worked with, this transformation was a two-way street. The final URP succeeded in preventing involuntary displacement and requiring certain densities and design guidelines, but the structures of urban renewal and planning limited it and prevented the activists’ broader agenda from being codified into enforceable plans. Many of their more ambitious goals simply could not be included in the URP. This meant that they would have to be achieved through continued organizing, negotiation and struggle. And while revitalization continued to contain contradictory visions, the strand emphasizing the return of capital limited openings for

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<sup>34</sup> For example, the New York City Municipal Art Society, an organization dedicated to urban design and the making of a “livable city,” awards the Yolanda Garcia Community Planner Award each year, named for the leader of Nos Quedamos, to “inspirational grassroots community-based planners” (“Yolanda Garcia Community Planner Award,” n.d.). See Golden (1997), Stump (2005) and Angotti (2008) for planners on Melrose Commons.

community self-determination.

### ***A liberal revitalization in the Bronx***

In 1990, Bronx Borough President Fernando (Freddy) Ferrer's Strategic Policy Statement<sup>35</sup> for the borough described the initial plan for Melrose Commons:

Designed as a new town-in-town type large scale development plan, Melrose Commons will represent a major infusion of moderate to middle-income homeowners and renters in a community characterized by poverty, neglect and decay. Melrose Commons will re-establish a more balanced community and contribute stability to the larger area (p. 193).

The 1992 report on the plan for Bronx Center, of which Melrose Commons was a major part, described the Melrose Commons plan as, "the most extensive infusion in one location of mixed-income home ownership housing to The Bronx in the last decade," providing a "critical mass of homeowners that will support and increase the economic potential and activities of the area" (Office of the Bronx Borough President, 1992, p. 6). The specifics of the plan were 3,000 units of new, owner-occupied housing, renovation of more than 700 existing units, 254,000 square feet of retail space and ten acres of parkland. Immediately outside the plan area approximately 800 small homes (for homeownership) would be constructed by the New York City Housing Partnership and the Nehemiah Program (Office of the Bronx Borough President, 1992).

This plan was not intended to simply redevelop the Melrose Commons area. The Bronx Center plan as a whole was intended to solve the Bronx's image problem. The 1992 Bronx Center study described its goal as, "to prepare a physical plan to establish an urban image which counteracts the debilitating negative perceptions" associated with the Bronx, and "remedy the image problem of the area by creating a vigorous central commercial and cultural district that will revitalize this borough" (Office of the Bronx Borough President, 1992, p. 1). According to the 1990 Strategic Policy Statement, Bronx Center would establish "a unique and vital image of the borough commensurate with its size and its role in the city and the region" (Ferrer *et al.*, 1990, p. 139). This negative image was such a problem because the planners and officials writing these documents believed that image largely determined investment: "Development trends in The Bronx are largely determined by the way in which the borough is perceived by both private and public investors" (Ferrer *et al.*, 1990, p. 167). The 1990 Strategic Policy Statement argues that this is the cause of the longtime redlining of the borough by banks.

Neither of these documents detail why "a major infusion of moderate to middle-income homeowners and renters" in a South Bronx neighborhood would remedy the borough's image problem, but other sections shed some light on the class politics embodied by the original Melrose Commons plan. The section of the Strategic Policy Statement on housing and neighborhoods notes that significant amounts of the redevelopment and population growth projected for the South Bronx would be due to the City's initiatives for turning City-owned *in rem* buildings into housing for the homeless. The 1990 Strategic Policy Statement sees these programs as "a mixed blessing" (Ferrer *et al.*, 1990, p. 189). Redevelopment for homeless

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<sup>35</sup> The borough presidents and the mayor are required by the New York City charter to periodically produce strategic policy statements.

housing would “remove eyesores and blight from the borough's streets while bringing back to life once vacant hulks” and “revive many long abandoned streets” (Ferrer *et al.*, 1990, p.189). But because these programs “concentrate no-income and low-income families currently in the shelter system in existing poverty areas, they have the potential to intensify social problems in many struggling neighborhoods, despite the inclusion of moderate income families within these developments” (Ferrer *et al.*, 1990, p. 189). Instead, the Strategic Policy Statement advocates creating a “socio-economic balance” in Bronx neighborhoods by attracting higher income residents to balance out the existing poor residents. Neighborhoods “with existing concentrations of low-income families should not be further burdened;” instead, “programs which attract a broader income mix are critical to neighborhood strength” (Ferrer *et al.*, 1990, p. 197).

In Melrose Commons, socio-economic balance was to be achieved by creating moderate- and middle-income neighborhoods to counterbalance existing neighborhoods dominated by poor and lower working class Bronxites. As the later challenge to the plan showed, this implicitly involved the displacement of existing residents of these devastated areas and their exclusion (and the exclusion of other low-income people) from the redeveloped areas.

While this vision for revitalization was radical in envisioning a through-going revitalization for the Bronx at all, it was conventionally liberal in its premises. Revitalization was to be about courting outside investors and potential residents, not about challenging dynamics of racial and class oppression producing poverty. The South Bronx would be revitalized as a place without necessarily benefiting the people already living in it. To be fair, many of the other sections of the Strategic Policy Statement are about improving services and helping current Bronx residents. And as we shall see, contradictions within the revitalization coalition convened by Ferrer enabled a collaborative process with community activists that eliminated some of the exclusions of the original plan for Melrose Commons. But similar liberal versions of revitalization continue to be reproduced in Bronx planning, and it is important to mark the influence of this strand of revitalization.

The remainder of this section of the chapter will explore this liberal vision for revitalization through Bronx boosters' critique of City policies as reproducing the Bronx as a dumping ground, the promotion of planning as a key tool for changing the trajectory of the Bronx in this liberal version of revitalization, and the idea of a Bronx revitalization coalition.

### **Bronx boosters' critique of City-sponsored renewal**

At the core of Ferrer's initial vision for the revitalization of the Bronx was the need to change the Bronx's position in the region's hierarchy of places. Bronx boosters saw the Bronx's position as largely determined by City and New York State policies that treated the Bronx as a dumping ground. From this perspective, City and New York State policies tended to push the development of the Bronx toward benefiting the city and the region, not the Bronx itself. Bronx boosters argued that these policies reproduced the poverty and stigmatization of the Bronx by disproportionately siting unwanted uses and people in the borough. We can think of this as an argument against the functional specialization of the Bronx for unprofitable or noxious uses that needed cheap land. Much of this specialization was due to market “rationalities” that site such facilities where land is cheapest, treating the Bronx as an abstract space where prices hold sway, with little effective political interference; waste facilities had to be sited somewhere, and by

siting them in the Bronx growth in Manhattan was protected.

The Bronx Borough President is the foremost official Bronx booster, and Borough President Ferrer's Strategic Policy Statement for the Bronx outlines the argument that a concentration of waste facilities and noxious uses in the Bronx threatened the borough's present and future growth by damaging its image, and thus its potential for investment. In a section on the equitable distribution of locally unwanted land uses (LULUs), the 1990 Strategic Policy Statement argues that past and present public investment, through the siting of community facilities, has "negatively affected the borough's image and made it the weakest economy in the region if not the nation," (Ferrer *et al.*, 1990, p. 177) and thus damaged opportunities for residents and the competitiveness of the borough in the regional economy. The Strategic Policy Statement argues that this is because, "City-owned vacant land and buildings have been viewed by City Hall as a welcome resource to house facilities that address needs ranging from libraries, day care centers and transitional shelters for the homeless to solid waste management facilities, toxic waste transfer sites and sewage sludge treatment plants and prisons" (Ferrer *et al.*, 1990, p. 177). Together, the Bronx's abundance of City-owned property, availability of land zoned for industrial use, and relatively cheap land have led the City to site LULUs in the borough.<sup>36</sup> The Strategic Policy Statement argues that at the same time, there has not been a compensating push for development that would "stimulate economic growth and foster long-term viability of Bronx neighborhoods" (Ferrer *et al.*, 1990, p. 178). City and State siting practices are "being rationalized in a way that ignores the impact on the borough's investment climate," and "are not balanced by investment that would mitigate or compensate for the burdens carried." This has "tarnished the borough's market perception" (Ferrer *et al.*, 1990, p. 178).

These themes are repeated, although in a more politic tone, with regard to the relocation of homeless people to renovated *in rem* housing in the Bronx. HPD's policy of triaging buildings by profitability and salability meant that many of the *in rem* buildings slated to house formerly homeless households were sited in the Bronx. This was because many Bronx neighborhoods had weak real estate markets and thus for-profit owners were less interested in buying *in rem* properties there (see previous chapter). According to Ferrer, this meant that 74% of the city's homeless population would be relocated to the Bronx through the Vacant Cluster Housing and Special Initiative Programs of the Ten Year Plan. In articulating a goal of creating mixed income neighborhoods, the Strategic Policy Statement argues, "current government policies which concentrate homeless and low-income families in neighborhoods or individual building projects are inconsistent with the Borough's long term interests and interests of its low-income population" (Ferrer *et al.*, 1990, p. 196). This resonates strongly with academic and policy arguments that it is the "concentration of poverty" that perpetuates poverty and lack of development, and thus that policies that concentrate poor people effectively ghettoize neighborhoods. (Wilson, 1987; Braconi *et al.*, 1998) Instead, the Strategic Policy Statement proposed creating mixed income neighborhoods by setting an 80% moderate/middle income and 20% low income mix in properties rehabbed through City programs, and limiting homeless

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<sup>36</sup> Sze (2007) documents the rise of environmental justice movements in New York City, including the South Bronx, around the same time. While the Strategic Policy Statement does not explicitly refer to environmental justice, there is a clearly a resonance with environmental justice critiques of the uneven siting of harmful facilities.



families to 10% of any project. This is a radically higher percentage of moderate and middle-income households than what was being done in the South Bronx at the time, and even today developers find it difficult to fill units marketed to higher incomes in the South Bronx.

### **Image, planning and transformative design**

In several key reports 1990-92, the Bronx Borough President's office centered its revitalization strategy on the Bronx's image, and proposed planning and urban design as the best ways to change this image and bring in more investment and growth. The 1992 Bronx Center Land Use and Urban Design Study argues that revitalization must deal with the problem of the Bronx's bad reputation. It opens this argument by quoting Robert Jensen's 1979 essay on the South Bronx: for the City, the South Bronx "designates a condition of poverty and social collapse, more than a geographical place" (quoted in Office of the Bronx Borough President, 1992, p. 4). The Bronx Center study further claims that in the "collective consciousness," "every imaginable urban malady has been associated with the 'South Bronx'.... The Bronx's potential for redevelopment has been seriously crippled by this negative urban image" (Office of the Bronx Borough President, 1992, p. 4).

The culmination of this argument is that investment is largely determined by image, and that the way to increase both private and public investment is to remedy the Bronx's image problem. If the Bronx were seen as a set of up-and-coming neighborhoods, it would not be treated as a dumping ground.

These reports posit planning as both the cause of and the solution to the Bronx's image problem. In the Land Use, Zoning and Infrastructure section, Ferrer's 1990 Strategic Policy Statement lays the blame for the Bronx's problems in attracting investment squarely on planning and policy:

The Bronx is viewed as a high risk area with past mistakes in urban planning. Worldwide, it is perceived as America's most notorious failure in urban development policy. It carries a stigma of undesirability, high risk and social chaos which has led to a long period of decline and lack of attention by positive market forces (Ferrer *et al.*, p. 167).

The past mistakes of planning — specifically Robert Moses' construction of the Cross Bronx Expressway in the 1950s and 1960s — are also blamed for the physical and social destruction of Bronx neighborhoods, echoing many conventional accounts of Bronx's devastation.<sup>37</sup> The Cross Bronx (supposedly) "precipitated the demise of many neighborhoods" (Ferrer *et al.*, p. 200). According to Ferrer, this image problem has not just affected the most seriously devastated neighborhoods of the South Bronx; it has stigmatized the entire borough, including strong neighborhoods "characterized by home ownership, park land and favorable socio-economic indicators" (Ferrer *et al.*, p. 167).

These reports advocate planning and design as also the primary solutions to the Bronx's problems. Their central argument is that large-scale, planned development can change the political economic conditions on which the Bronx's image is based by radically changing the landscape, both visually and socially. The Bronx Center project, of which Melrose Commons

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<sup>37</sup> See chapter 1 for a fuller account of the Bronx's devastation by abandonment and arson, which peaked in the 1970s.

was a major part, was the first attempt to implement this kind of transformation.

Bronx Center was intended to create a focus for the whole of the Bronx on two levels. First, it would be a literal downtown, something the Bronx had never quite had. DeRienzo (2008) writes, “Ferrer’s vision was to exploit and further develop different ‘development nodes’ of closely-grouped health, recreational, educational, and commercial facilities and to connect these nodes to provide the equivalent of a downtown” (p. 79). The plans were ambitious, including a civic center around the borough courthouse and the Borough President’s office; an institutional center around Lincoln Hospital and Hostos Community College; retail and residential expansion around the South Bronx’s largest retail center, the Hub; and major residential development in Melrose Commons (Office of the Bronx Borough President, 1992).

Bronx Center was also intended to be a focus for revitalization efforts and a catalyst for the revitalization of the whole borough. According to the 1990 Strategic Policy Statement, Melrose Commons would be a catalyst for redevelopment through planning and design that transformed the physical environment at many scales. The Strategic Policy Statement called for “total environments” with “high image neighborhood design” to be created through “large-scale site-specific design and development controls that incorporate topography, streetscapes, building character, transportation and street networks, landscape, appropriateness of zoning and site planning” (Ferrer *et al.*, p. 202).

Melrose Commons was an especially appropriate site for this kind of transformative design because of its location and the amount of City-owned land in the area. Melrose Commons is located approximately one mile east of the borough’s institutional center and a few blocks north of the largest retail area in the South Bronx, the Hub. And it contained “the largest contiguous stretch of municipally owned land in the city” (Gonzalez, 1993). This had excited the interest of planners since the early 1980s. Bernd Zimmermann, who was head of the Bronx office of DCP at the time but was later hired by Ferrer as head of his planning office, told an interviewer in 1985 that the Bronx office of DCP had discovered “tremendous investment opportunities” in what they were then calling the Downtown Bronx Study Area. The interviewer asked if conversion of existing buildings will be the main thrust of development in the area. Zimmermann is emphatic: No. There is much greater development potential. In the vicinity of the Third Avenue courthouses, our land-use survey discovered 29 acres of land. Twenty-nine acres of land! We want to prepare it to make it ready for development (Wedemeyer, 1985).

The excitement of the planners at “discovering” this cluster of City-owned properties is distinctly different from HPD’s (and the Ten Year Plan’s) more piecemeal approach to disposing of City-owned properties.

These reports also make the conventional economic argument for planning: that it can create the predictability needed for reinvestment. Ferrer’s letter prefacing the Strategic Policy Statement introduces it as a part of the development of “a more appropriate planning framework[,] with the hope that a greater degree of certainty and predictability will be derived” from analyzing the city’s “social, economic, and physical fabric.” Another example is zoning, which the Strategic Policy Statement argues, “can contribute substantially to the development process in weaker market areas when conducted pro-actively. By removing costly uncertainties and obstacles from the development process, [zoning] can establish as-of-right conditions and relieve the development community from substantial costs associated with actions subject to

governmental discretion” (Ferrer *et al.*, p. 183).

The 1990 Strategic Policy Statement claims good planning in and of itself can be part of creating a positive image. It can “re-establish The Bronx’s position as a well planned borough of communities” (Ferrer *et al.*, p. 180). And good urban design and architecture can attract the specific newcomers “The Bronx wishes to attract” and create “a sense of the Bronx as part of a vibrant regional economy” (Ferrer *et al.*, p. 201).

Lastly, Ferrer and his staff frame planning as a way to counter the deficits of City planning. The 1990 Strategic Policy Statement claims that the Bronx’s image has already begun to improve thanks to Ferrer’s initiation of the New Directions project, which was “designed to reverse the city-wide trend of downplaying planning and emphasizing individual project development which arose from the Mayor’s primary focus on the city’s financial soundness” (Ferrer *et al.*, p. 168). Planning took a subsidiary role in the City’s revitalization strategy. Here we can see why planning offered an opportunity to Bronx elites to counter City and State policies, and perhaps why planner Bernd Zimmerman moved from the City Department of City Planning to the Office of the Bronx Borough President, where he was an architect of Ferrer’s development strategies.

### **A Bronx revitalization coalition**

The previous sections describe a Bronx revitalization coalition, a coalition that in this period focused on large-scale planning and development as its key activity.<sup>38</sup> To some extent, the revitalization coalition I describe is similar to Logan and Molotch’s (1987) concept of a growth machine. Both are premised on liberal ideas of growth and improvement as the key to benefiting urban areas. The growth machine as outlined by Logan and Molotch is founded on the interests of local landowners and others with interests in the exchange value of land in the city. The archetypal downtown growth machine is dominated by interests deeply invested in the central business district.<sup>39</sup> These rentiers have collective interests due to their proximity, and the formation of a growth machine is in essence the formation of a class consciousness. Members of the growth machine may fight amongst themselves over the distribution of rents, but they are united by their commitment to aggregate growth. The growth machine ideologically promotes growth as benefiting all city residents.

The revitalization coalition in the Bronx also had a class content, but a different one. The liberal vision for revitalization described in previous sections was rooted in a desire to make the Bronx more middle class in its demographics and perception. This emerged both from planning orthodoxy that emphasized mixed income development as a solution to concentrations of poverty (Chaskin, 2007; 2012) and from class politics in the borough. The latter manifests today in the tendency for middle class improvers to dominate local and borough land use politics. In the South Bronx, the middle class people are essentially elites.

This Bronx revitalization coalition saw itself as in direct conflict with city and regional

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<sup>38</sup> In this chapter I focus on the parameters and operation of the revitalization coalition in the Bronx, rather than the processes that created it (future research will address the latter).

<sup>39</sup> Logan and Molotch’s (1987) archetypal growth machine is suburban, but there are many examples of downtown growth machines as well.

growth machines that sought to push unwanted uses and people — locally unwanted land uses, or LULUs — onto the Bronx to enable growth in more central, elite places. This perspective sees places as arranged in a hierarchy, with a place's possible development determined by its position. In this hierarchy, LULUs are shoved onto places that are poor and politically weak. And the Bronx boosters did not want to be the region's repository for various LULUs. They argued that the Bronx had a right to growth and development, and that the Bronx's continued poverty was due to the LULUs the borough had been forced to receive. In response, they sought to change the Bronx's position in the region's hierarchy of places by becoming not-poor.

This is similar to Logan and Molotch's (1987) idea of an "iron law of upgrading" enacted by growth machines. According to Logan and Molotch (1987), every place, no matter how marginal, is engaged in a zero-sum competition to attract more prized land users and pushing out the most marginal, who are seen as damaging exchange values. For poor neighborhoods, cleaning up a neighborhood may mean raising its social class and discouraging those "who damage identities, who lower rents, who are not appropriate constituents of viable organizations" (Logan and Molotch, 1987, p. 144). Rather than improving the lives of the very poor, the most marginal are thrust away. Rather than the narrative told of a naturalized American progress, urban systems' energy is provided "not by general upward social mobility and outward geographical movement, but by a thrusting away – in all places in which it is feasible – of those most marginal" (Logan and Molotch, 1987, p. 145). The key land use problem becomes "determining which locations will have to deal with those for whom there is least use" (Logan and Molotch, 1987, p. 145).

Bronx boosters to some extent bought into the ideology underlying this "iron law of upgrading," where improving the borough meant upgrading its population and ameliorating the effects of many residents' poverty by courting higher income residents. Ferrer and his successors also worked to improve services to Bronx residents. But the two portions of this agenda for improving the Bronx — revitalization via bringing in higher income people and improving social services for existing (mostly poor) Bronx residents — were generally kept separate, with existing Bronx residents often treated as a problem in the context of revitalization.

There are a series of assumptions that support the conventional wisdom of a growth machine present in the Bronx revitalization coalition. First is the idea that places are in competition in the first place, and that the notional character of a place must be adjusted so that it can compete effectively in its region and the world. This is very apparent in the 1988 report *New Directions For The Bronx* by the Regional Plan Association, which focuses on the Bronx's position in the metropolitan region and has little to say about more typical political concerns in the Bronx, such as City, state, and federal services for poor and working class people. The focus on the Bronx's position in the region is continued in Borough President Ferrer's 1990 Strategic Policy Statement, although the Strategic Policy Statement is much more comprehensive and includes detailed plans for better services for poor and working class Bronxites.

Second is the idea that poor people damage exchange values and growth, and that the borough's poverty is the cause of its problems, from redlining to decreasing services. Political weakness follows from poverty. In this period, the revitalization coalition convened by Bronx Borough President Ferrer did not look deeply into *why* poverty caused these problems (through discriminatory lending, for example) or, more importantly, into the causes of poverty. The

reports charting the BP's vision for the development of the borough did examine the jobs mismatch hypothesis, similar to Wilson's (1987), arguing that the skills and location of the Bronx population did not match the location and skills needed by employers. But this early Bronx revitalization coalition did not examine or challenge the systemic causes of poverty and discrimination beyond the dumping of LULUs onto the borough and their effect on the Bronx's image in the minds of investors. The strategy of this revitalization coalition was essentially to become more like more elite places of the city rather than challenging the structures that created this hierarchy.

But unlike a growth machine, the revitalization coalition I describe was not the result of a unified, tight relationship between class interests and the political regime. Logan and Molotch (1987) tend to assume that participants in growth machines are simply united by their common interests in growth, and that growth machines are fundamentally driven by elite class interests. Stone (1989) offers a more complex and politically contingent relationship between downtown business interests and political leadership in what he describes as urban regimes.

The revitalization coalition in the Bronx and the City-sponsored revitalization complex described in the previous chapter had a more open character because they encompassed fundamental differences over the nature of revitalization. As described in the previous chapter, the crisis of abandonment in the 1970s led to widespread distrust of the private sector, an expansion of state involvement in housing, and the incorporation of more-radical, anti-market forms of redevelopment and ownership into the citywide revitalization complex. Revitalization in the South Bronx had already been deeply shaped by non-profit and radical responses to landlord abandonment. Later sections will show how the Bronx revitalization coalition became a more complex entity through challenges and struggles by Bronx residents who were slated for removal, and how the inclusion of community-minded professionals in the revitalization coalition made it ultimately more open to alternative forms of revitalization. But the Bronx revitalization coalition has continued to have many growth-machine-like aspects.

### **Creating the Bronx revitalization coalition**

The ambitious revitalization envisioned by this Bronx revitalization coalition, and the revitalization coalition itself, were new phenomena in the late 1980s. Attempts for a Bronx renewal or revitalization had long been proposed. But abandonment continued to outpace redevelopment efforts through the early 1980s, and large-scale revitalization efforts largely failed to happen. In the mid-1980s the tide began to turn as the effects of Manhattan's economic resurgence extended to the Bronx. This meant both that landlord abandonment decreased and that City resources for dealing with abandonment and *in rem* properties increased.

Bronx political leadership underwent an important change as well. Stanley Simon was Borough President from 1979 until 1987, when he was indicted on corruption charges. Fernando (Freddy) Ferrer was appointed Borough President in 1987 to replace Simon and was elected soon after. Ferrer put an end to (much of) the famous corruption of Bronx officials and quickly turned to the revitalization of the Bronx. Thus, in 1987 the Bronx had a new, effective Borough President, and City attention and money for revitalization was ramping up with the Ten Year Plan. DeRienzo (2008) writes that "local leadership that focused on results and not patronage" was a key element in the Bronx's revival, and Fernando Ferrer "set the tone for the borough from

the top” (p. 79).

Ferrer convened a Bronx revitalization coalition by means of planning. The 1988 preliminary report *New Directions For The Bronx* by the Regional Plan Association, a regional planning group, offered step-by-step instructions for convening a growth machine or a revitalization coalition. The report was based on consultation with fifty “civic, business and government leaders” (Regional Plan Association, 1988, p. 2). The RPA study then proposed a “negotiation program among all who want to contribute to The Bronx's future — community leaders, business and labor, all levels of government, social service and health providers, educators and firms that might consider investing or locating in The Bronx” (Regional Plan Association, 1988, p. 25). Each group is to “contribute to The Bronx's betterment” in coordination with the others (Regional Plan Association, 1988, p. 25). “The intent is to bring each party to the same vision for The Bronx and to reinforce each others' investment” (Regional Plan Association, 1988, p. 25). This is how, the report argues, the actions it recommends will be implemented.

The Bronx Center project came out of the New Directions study and was its successor as the focal point of the nascent Bronx revitalization coalition. Ferrer recruited sympathetic people active in policy and redevelopment at the city level for this revitalization coalition. Ferrer named as chair of Bronx Center Richard Kahan, the head of the Urban Assembly and former head of the Battery Park City Authority, the New York Convention Center Development Corporation, and New York State's Urban Development Corporation. DeRienzo (2008) describes him as “a former power broker .... [Who] was and is very well connected, and he demands that public servants spend taxpayer money to advance the public welfare — and do it in a way that is measurable and accountable” (p. 79-80). Petr Stand, a planner involved in the Bronx Center and Melrose Commons projects, describes the people involved in the Bronx Center plan process as mainly friends and professionals Kahan had reached out to.

The Bronx Center project was structured to recruit a relatively broad range of participants. But while the 1992 Bronx Center report proposes an urban design study with “a process strongly based on building public consensus,” the project was structured as a series of concentric circles, with the plan being created by insiders and with those in the outer circle having much less substantive involvement. The project was led by the Bronx Center Board, “a ten member committee of community and civic leaders from The Bronx and across New York City,” appointed by Ferrer (Office of the Bronx Borough President, 1992, p. 11). This board would be given technical assistance by the Borough President's Bureau of Planning and Development, the city's Economic Development Corporation, the Municipal Art Society (an urban design and architecture nonprofit committed to a “livable city”), and the Pratt Institute Center for Community and Environmental Development (a strong citywide supporter of community planning). Together these leaders and professionals would draft the plan.

The Bronx Center Board was to be advised by a supplementary Bronx Advisory Council that would cast a wider net and “serve as a forum to debate the urban issues and recommendations” that would shape the Bronx Center plan (Office of the Bronx Borough President, 1992, p. 11). The report proposes that this council include “Bronx and New York City groups that have vested interests in the Bronx,” including “a wide representation of community organizations, public officials, city agencies, builders, developers and universities” (Office of the Bronx Borough President, 1992, p. 11). Finally, the Council would “rely on input from the general public and

affected communities” through public meetings and forums — which were scheduled to take place once the plan had already been drafted. While the Bronx Center project was structured to include the public and communities, it did so in a largely hierarchical manner.

The revitalization coalition convened through these planning activities was intended to fulfill a series of potentially contradictory goals (these contradictions soon became very clear in Melrose Commons, as detailed in the next section). The borough-wide plan — and revitalization — envisioned in the 1990 Strategic Policy Statement was supposed to “provide a framework for balanced development and growth” (Ferrer *et al.*, 1990, p. 169), compensating for the City’s lack of planning. It was supposed to encourage investment through predictability: “establish a greater level of predictability and certainty in public policy and action and therefore encourage positive private sector investment decisions” (Ferrer *et al.*, 1990, p. 169). *And* it “must form the nexus between city-wide and local planning issues and be built around broad-based consensus” (Ferrer *et al.*, 1990, p. 169).

The contradictions among these different goals can be seen in the 1990 Strategic Policy Statement’s recommendations for the disposition of City-owned land in the Bronx. The Strategic Policy Statement calls for disposition to the private sector — except in areas with high concentrations of City ownership, which would allow for larger planned developments, which according to the Strategic Policy Statement are key to Bronx’s revitalization. In these areas with large swathes of City-owned land, “community development and stability may be better fostered by a public discussion of objectives to be achieved prior to disposition,” (Ferrer, 1990, p. 172) and there should be a moratorium on disposition until objectives are agreed upon. Presumably this would allow for the kind of planning that Ferrer and the Bronx revitalization coalition wanted to do to transform the Bronx and its image. But “public discussion” seems to have meant the involvement of the Borough President and his planners. Ferrer requested the speedy approval of the Melrose Commons plan later in the Strategic Policy Statement, a plan that Melrose residents protested that they had been completely excluded from. Planning, private investment, and consensus would not be easily harmonized.

In the Bronx revitalization coalition, actors committed to more radical, less market-centered visions gathered under the banner of “community.” The Bronx revitalization coalition convened by Borough President Ferrer included “community” through professionals committed to a community/grassroots process and through its rejection of top-down planning even as it used the tools of urban renewal. Top-down planning was blamed for many of the Bronx’s problems and had excluded Bronx elites in the past. And community was an important entity in the Bronx due to the role played by community organizations and activists in the midst of crisis. In the 1992 Bronx Center report, the first goal of the project was to encourage new development, and the first means to do that was to catalyze private development. But the need to involve the community is mentioned again and again; this is where we can see the influence of community-minded professionals like Harry DeRienzo and Ron Shiffman, of the Pratt Center, and the importance community had already taken on in South Bronx redevelopment. All of this meant that the professionals and officials involved in the Bronx Center plan were receptive to shifting the planning process in response to Melrose residents’ critique, which led to a collaborative planning process.

Because the Bronx revitalization coalition encompassed contradictory visions of

revitalization, when it came under pressure from residents of the neighborhoods slated for redevelopment there were openings for a more inclusive process and a form of revitalization that challenged the conventional premises of growth-minded revitalization. The central challenge was to the assumption that poor residents and their environments damaged prospects for growth and were best removed to enable revitalization. We will see in the next section how Melrose activists attempted to create an alternative revitalization where growth was based on existing residents and businesses.

### ***The struggle for community planning and an alternative Urban Renewal Plan***

The commitment of Bronx revitalization coalition participants to community participation was soon tested. The outreach efforts of the Bronx Center project led to a pivotal public meeting on November 12<sup>th</sup>, 1992 held at Lincoln Hospital just southwest of the Melrose Commons Urban Renewal Area. There Melrose residents shouted down the presenters and demanded that their homes not be destroyed by the Melrose Commons Urban Renewal Plan. This meeting of well-intentioned professionals and determined residents led to the founding of Nos Quedamos/We Stay, the creation of a community planning process, a revised Urban Renewal Plan that minimized displacement and reflected residents' priorities, and a fundamentally different development process in Melrose (as well as any number of news and scholarly articles about a truly community-based planning process happening in the South Bronx).

In telling the story of Melrose Commons, I depend on three sources with differing perspectives: Petr Stand, Yolanda García, and Harry DeRienzo. Together, these perspectives and others gleaned from press reports form a partial view of the Melrose Commons story.

A planner and architect in private practice, Stand initially got involved through the Bronx Center project but quickly moved to collaborating with Melrose residents and Nos Quedamos after the Nov. 12th meeting. He initially worked with Nos Quedamos pro bono in the creation of the Melrose Commons plan, but his firm has since been involved in the redevelopment of Melrose Commons as (paid) architects and co-developers on various projects. He has written quite a bit about the Melrose Commons community planning process in an attempt to shore up institutional memory and protect Nos Quedamos' victories. He also allowed me to do two long interviews with him. Thus, many of the details of the story come from his account and his perspective. Stand emphasizes residents' estrangement from the state, due to abandonment, and how the healing of this relationship through a true meeting between professionals and residents led to the revitalization of the area. He sees a common ground for planning professionals and Melrose residents in a kind of working and middle class cosmopolitanism: "They were the same people, they were New Yorkers."

Yolanda García was one of the initial leaders of the Melrose residents and Nos Quedamos, especially after Pedro Cintron, the earliest leader, passed away early in the process. García was involved in the area because her family owned a carpet store in Melrose. Unfortunately García herself passed away suddenly in 2005. She did not leave much of a written record, but she coauthored a conference paper with Stand in 1996, and he quotes her in other places. García emphasizes the knowledge and capability of residents; residents were the true experts and the professionals had to learn to learn from them. She also articulates an outright refusal of the necessity of conflict or contradiction between the existing residents and growth or prosperity; it



was “inconceivable” that prosperity be based on residents’ removal.

Finally, Harry DeRienzo was introduced in Chapter 2. After leaving Banana Kelly in the early 1980s, DeRienzo headed the Parodneck Foundation and was an active advocate for community-based non-profit housing in the city. He, too, was involved in the Bronx Center project and began to work with Melrose residents after the November 12<sup>th</sup> meeting. I use the relatively brief mentions of Melrose Commons in his book. DeRienzo emphasizes the importance of residents seizing leadership from the professionals (specifically him) and creating a true community-building process that was open, inclusive, and made substantive decisions.

### **The initial collision**

Despite the proclamations of the importance of community participation in the Bronx Center documents and the provision of public forums to introduce the Bronx Center (and Melrose Commons) plan to the affected neighborhoods, Melrose residents and business owners had not been involved in the Bronx Center planning process. Residents told Bronx reporter and photographer David Gonzalez that they first learned about the plans for Melrose Commons in the summer of 1992, “when one of their neighbors bumped into a city worker who was taking notes outside her house” (Gonzalez, 1993). Residents also heard rumors “that the City was going to bulldoze the existing neighborhood and build new housing that would be unaffordable to the majority of community residents” (Stand *et al.*, 1996).

DeRienzo, who was involved with the Bronx Center project, had his own doubts about the lack of community involvement. He asked then-Deputy Borough President Genevieve Brooks about how Melrose residents felt about the plan to raze the Melrose Commons Urban Renewal Area and build housing for moderate and middle income households. According to DeRienzo (2008), Brooks responded with something like, “nobody lives there and those that do want to move” (p. 81). DeRienzo described the approach to Melrose Commons in the Bronx Center project in hindsight as, “there’s nothing there so let’s clear it out anyway.... There was a whole community there, but no one ever walked the streets to talk to these people” (Gonzalez, 1993).

Thus, the stage was set for a collision between the well-intentioned professionals of Bronx Center and enraged Melrose residents and business owners determined to not be displaced. They met at the public forum on November 12th, 1992 at Lincoln Hospital, just southwest of Melrose. There residents were first officially introduced to the plan for their area and learned that it not only involved their complete displacement, it was already going through the official approval process. Borough President Ferrer had requested rapid approval for it in his 1990 Strategic Policy Statement.

Pedro Cintron, one of the leaders of the Melrose residents, later recounted his response to the role of the Bronx Center professionals in the planning process: “I got up and told them, ‘Hell, no!’... ‘How are you going to come here and bring out-of-town people and advocate on our behalf? They don't even know we're here.’” (Gonzalez, 1993). Several years later, Yolanda García remembered residents’ response to the proposed displacement as, “When the city came up with its Melrose Commons plan we said no more — they can't throw us out like yesterday's garbage” (Peirce, 1995).

García wrote more fully in a piece coauthored with Stand (1996) about residents’ perception

of their exclusion from the planning process that would displace them, and their refusal of both exclusion and displacement:

When members of our community realized the potential devastation that awaited our area, home owners, business owners, and tenants alike joined forces and proclaimed that this proposed Urban Renewal Plan would not be certified. It was clear to us that our community would be yanked by its roots and cast aside. City agencies had once again determined our fate without ever engaging in conversation with the very people who were to be directly affected.

This was the inauspicious first meeting of Melrose residents and the professionals involved in the Bronx Center project (who were also representatives of the Bronx revitalization coalition). Many of the Bronx Center housing folks were committed to consulting with the community, but the Bronx Center project's entanglement with conventional, top-down planning had not supported a substantive community consultation process up to this point.

### **Openings in the revitalization coalition**

I argue in this and the previous chapter that a revitalization encompasses divergent visions. The inclusion of these divergent revitalizations is due to the important role non-market, more-radical forms of redevelopment played in the midst of crisis, when real estate markets collapsed and for-profit landlords abandoned areas like the South Bronx. In the planning process for Melrose Commons, we can see this relative openness concretely in the identities, ideologies, and practices of Bronx revitalization coalition participants. This openness made it possible for the Bronx Center professionals, once challenged, to collaborate with Melrose residents, once challenged.

In our interview in 2010, Petr Stand described his experience of the collision between residents and the Bronx Center professionals as a mismatch between residents' perception of the professionals and the professionals' own view of their positionality. Ron Shiffman, Harry DeRienzo, Lee Weintraub, and Stand were the main people involved with the housing part of the plan and presented the draft plan for Melrose Commons at the meeting — “four white guys,” as Stand noted. Stand remembers residents disrupting the meeting almost immediately: “And so we started talking and someone raised their hand, and next now they're shouting at us... ‘we've been raped before, why should we believe you? What the hell are you talking about? Who are you?’”

Stand notes that while he and his Bronx Center colleagues might have looked like an elitist version of planning to Melrose residents, they were less elite and more sympathetic than they might have appeared, and they were ultimately willing to respond to residents' concerns. Weintraub and Stand both grew up in the Bronx in working class families and went to (public) City College for architecture school. They had what Stand called an “urban-based understanding, and much more of a working class basis for looking at city formation and urban formation.” Shiffman and DeRienzo had both dedicated their careers to working with communities and doing bottom-up planning. When the Melrose activists forced an awareness of the problematic top-down nature of the planning process on them, they were willing to change their ways. But for Stand it was understandable that residents did not see them this way; this was a “devastated, traumatized community,” where “no one really knew who we were.” For Stand, the openness of the revitalization coalition derived from his and his colleagues' working class backgrounds, an openness that Melrose residents did not know about but would have to come to trust.

DeRienzo emphasizes a different aspect: the professionals had to shift to trying to understand residents' perspective to be able to collaborate with them. He describes a similar initial scene: "We expected an orderly meeting, but it was soon disrupted by residents of Melrose who lambasted the plan and accused the Borough President and others of conspiring with the police to remove them from their homes" (DeRienzo, 2008, p. 81). He writes that, at first, the professionals thought the residents were "fools" for believing in a conspiracy by the borough president and the police to remove them. But he argues that for Melrose residents, "their conclusions (even though wrong) were a reasonable derivative of the circumstances they confronted daily, such as open and aggressive drug dealing while official enforcement agencies focused mainly on less dramatic quality of life infractions, such as traffic violations, and unclean sidewalks, which targeted otherwise law-abiding citizens and businesses." Once the professionals understood residents' perspective, "it was possible to understand the residents' complaints and address them respectfully" (DeRienzo, 2008, p. 82). For DeRienzo, the possibility of collaboration arose from the professionals learning to understand residents' perspectives and environments.

Stand, García and Bautista (1996) write that it was a turning point when "Bronx Center Project representatives began to actively explore the opposition to the Urban Renewal Plan." Richard Kahan, the chair of the Bronx Center project, told David Gonzalez about his own turning point during the Nov. 12th meeting, when he came to understand residents' concerns much more directly. "There was an issue here and a group of people here that we hadn't reached... This is about people living here who want to stay. We may have touched on it in an intellectual way, but after that meeting it was a very visceral issue" (Gonzalez, 1993). Kahan rearticulated the connection between communities and renewal as one where community members' commitment formed the foundation of renewal:

People have to feel they have to create and own whatever is happening in their communities in order to feel an interest in sustaining it... This is the strongest and most effective way to carry out an urban renewal process. The priorities have to be from the community. It's not about us selling our priorities (Gonzalez, 1993).

## **The making of Nos Quedamos**

It would be a mistake to attribute the potential for collaboration solely to openings in the Bronx revitalization coalition. Residents' continued mobilization and own openness to collaboration — once they had been accepted as full partners — was essential.

Residents quickly formed an organization to be an instrument for community organizing and interfacing with the Bronx Center professionals. In February 1993, residents formed the Nos Quedamos/We Stay Committee. Their literature at the time exhorted residents:

Be part of this committee and help save our community. Make changes for your own future, do not let your children down. Plan for your future and their future (quoted in Stand *et al.*, 1993).

This mobilization against an official, bureaucratic process was hard-won. García later told a reporter that the most difficult part of the process was to convince residents "that they could fight city hall" (Peirce, 1995).

DeRienzo worked for a foundation at the time and found funds to hire two organizers to immediately start organizing in the neighborhood around the creation of an alternative plan.

Stand remembers the founding of Nos Quedamos as arising out of the work of the organizers:

Here's the urban renewal plan, here you people went and protested, here these guys met you, how are you going to translate that into something that can be effective and include yourself in the process. And through her [Sandra Colon, one of the organizers] work, and organizing, Nos Quedamos was formed. We Stay. Don't move us. We stay.

Melrose activists also soon seized leadership of the community planning effort from Harry DeRienzo, who had initially taken a leadership role (and was delighted to give it up to residents). Residents and Bronx Center planners had begun to meet on Tuesday evenings, but residents organized another series of meetings themselves, where they decided to take over the organizing effort. DeRienzo (2008) recounts that “at one Tuesday night forum about three or four weeks into the process, I was politely asked to cede the facilitating to the newly formed Nos Quedamos/We Stay Committee, which I was proud and delighted to do” (p. 134). This allowed the residents' agenda to dominate the planning process, and while the borough president ensured the presence of key government officials at the meetings, “it soon became clear that the local agenda would prevail” (DeRienzo, 2008, p. 128-9).

For DeRienzo, this was a clear victory for a true community-building process. But, ironically, when DeRienzo shared this story at a HUD forum soon after, many of the housing bureaucrats there commiserated with him for losing his leadership position. He argues that this “betrayed an attitude that is unfortunately pervasive in the public and private sectors: i.e., that poor people are unable to manage their own lives and that professionals are needed to teach, to guide, to discipline (when necessary) and generally supervise them in their daily pursuits” (DeRienzo, 2008, p. 134-5). This was exactly what the Bronx Center professionals were not doing in the Melrose Commons planning process.

### **Creating a community planning process**

At the initial November 12<sup>th</sup> meeting, the Bronx Center planners and the Melrose activists arranged to meet in Melrose the next day to walk through the neighborhood. Stand notes that the activists — Pedro Cintron and Yolanda García emerged as leaders — showed their strategic abilities immediately. They invited reporters from the Spanish language newspaper *El Diario* to come along, without alerting the professionals (Shiffman was a planning commissioner at the time and was thus vulnerable to public pressure). The next step was stopping the existing Urban Renewal Plan and developing a process to address its shortcomings. Showing his support for a community-based process, Borough President Ferrer persuaded City officials to postpone the certification of the Urban Renewal Plan by six months (Stand *et al.*, 1996).

Because time was short, the Melrose activists and the Bronx Center professionals moved quickly to create a community planning process. This was a hybrid process that led to a hybrid revitalization. The process was radically participatory and community-based, but it was directed toward a very specific and formal planning goal: an Urban Renewal Plan (URP). While the content of the URP was relatively open, the fact that there would be a plan and that it would be implemented through the mechanisms of urban renewal were set. And because the Bronx revitalization coalition was participating, the plan would be part of the Bronx revitalization process — and this version of revitalization would emphasize growth, as well as community involvement.

At its core, the community planning process was collaborative: finding a way that Melrose residents could participate substantively in a process that was typically technocratic. It was also a learning process. The professionals had to be willing gatekeepers and train residents in the technical aspects of planning, and residents had to learn how to articulate their ideas as well as insist on their validity and importance.

In our interview, Stand described how the newly-formed Nos Quedamos insisted that the planning process take place in Melrose to create access for residents — and to force the professionals to get to know the neighborhood:

Nos Quedamos insisted that if the Urban Renewal Plan was going to be suspended, that the planning, and the discussions, had to occur in Melrose. That they were not, and could not afford to give up a day in their life to travel to Manhattan to sit in meetings with different agencies. And besides, weren't they, the citizens, the businesses in Melrose Commons, weren't they the customers of government? Weren't they the consumers? And shouldn't government, if they're going to plan, meet in their neighborhood and establish a base there to better understand the neighborhood? And we're registering people to vote.

Nos Quedamos' voter registration drive was another reflection of their strategic abilities — it gave them leverage with elected officials.

Nos Quedamos asked to formalize the planning process with an open meeting in their office every Tuesday. Stand remembers, “so every Tuesday they would have an open meeting with City Planning, HPD, the community boards, the mayor's office, the BP's representative, you name it.” They would also have a meeting twice a month in the evenings for people who couldn't come to the Tuesday meetings.

Stand's account here and in general moves between recollections of Nos Quedamos' leaders and accounts of his own actions. Stand's account is necessarily partial, like any account, and is from his particular perspective. I use his account to flesh out the details and experiences of the collaborative planning process. Unfortunately I do not have a detailed narrative from any other participant; it would be especially helpful to have a fuller account from someone on the other side of the expert-resident divide. Instead, I depend on a patchwork of published accounts.

The Bronx Center professionals continued to support the process in their various capacities. Richard Kahan, the leader of the Bronx Center effort, and Ron Shiffman of PICCED continued to support Nos Quedamos, the latter giving them mapping materials. Stand and Lee Weintraub put their planning and architecture skills to work, drawing and mapping ideas. They also supported Nos Quedamos' organizing. Stand recounts how he and Weintraub developed a questionnaire with four questions: “What do you like about the neighborhood? What don't you like about the neighborhood? And in any other neighborhood you've ever been in, what did you like about that neighborhood, that's different than this neighborhood. And, if you had all the choices in the world, what would you like to see in this neighborhood, where you now live?”

Nos Quedamos began mapping every block and asking people if they wanted to stay or go. Stand remembers, “they'd knock on the door, they'd ask the four questions, and the ultimate question, do you want to stay or do you want to go?” And they'd put that information into a map and into words. Someone from HPD or DCP would then check what worked “as of right” with the zoning of the area.

Hector Rodriguez, an early member of Nos Quedamos, told reporter David Gonzalez, “We got people understanding and aware of what's happening... They really have an idea of what's about to happen, and the city came forward and gave us an opportunity to work on it” (Gonzalez, 1993).

DeRienzo (2008) contrasts the Melrose Commons planning process with other supposedly participatory efforts where local institutions gained authority and effectiveness only through the resources they garnered from powerful outsiders. Instead, the framework created by the Melrose activists and the Bronx Center professionals together fostered community-building and substantive decision-making on the part of residents:

Space was provided. Information was disseminated to the residents. A local organizer, Sandra Colon, was assigned to the community — not to manage a pre-determined outcome, but to facilitate deliberative dialogue among residents. People were given the opportunity to connect to their issues; to appreciate that those issues were shared by others (and were not merely private troubles); to join with others and come up with a plan to work together for a common cause — defeating the original Melrose Commons Urban Renewal Plan and creating a new, acceptable plan. The Nos Quedamos/We Stay Committee was established as a community institution to work for this common goal (DeRienzo, 2008, p. 95).

Yolanda García’s (unfortunately brief) account forefronts the fact that community members were the true experts, and the professionals had to learn to listen from them.<sup>40</sup> The two sides found common ground as they began to understand each other and in an understanding of sustainability that started with the “old ways:”

The season of change was upon us... As time progressed some suggestions were studied. We walked the streets in groups and conversations became more in depth about truly understanding the affected community. So began the transformation process of each others' determination of reality. We (residents) understood the pathways and respected the existing structures, form and composition of our community. It was the “experts” claim that the old ways worked best. This was precisely our argument; in order to make Melrose sustainable, old ideas had to be revised. As our community members gave input about our district's design and format, this joint effort allowed us to experience a true metamorphosis that represented change at the grass-root level (quoted in Stand *et al.*, 1996).

### **Melrose residents and Bronx professionals build a relationship**

Forging an equitable and effective collaborative relationship between the Bronx Center professionals and Melrose residents was the foundation of the community planning process. DeRienzo emphasizes that outsiders did not dominate the process nor take on a superior position due to education or political authority. And the professionals did not “empower” supposedly powerless community residents; DeRienzo argues that a third party can never “empower” someone else. But he explains how there was room for cooperation with outsiders in the Melrose Commons process:

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<sup>40</sup> Corburn (2005) writes extensively about the production of local knowledge, expert knowledge and the potential for collaboration in the context of environmental health. There are many parallels between the politics of planning in Melrose and environmental justice struggles, and in fact Nos Quedamos has been active in environmental justice struggles in the South Bronx, especially around air quality and asthma.

An outside party can facilitate the process, support the process, and participate in the process of empowerment, as in the Melrose Commons example... Here there was room for continued participation by planning experts, architects, traffic consultants, environmental consultants, elected officials, and funders in a cooperative effort to work directly with local residents in the redevelopment of their plan and the future of their community (DeRienzo, 2008, p. 96).

And he argues that it was the support and assistance of outsiders to the neighborhood that made the planning process actually possible. DeRienzo's action of hiring an organizer and placing her at the disposal of the residents was one such practical contribution. Others were:

The Bronx Borough President, Fernando Ferrer, placed the resources of his office at the disposal of the resident committee and made his staff accessible and accountable. He also made the Mayor's [Dinkins'] approval of the revised plan one of the conditions of his support for Dinkins' reelection bid. Richard Kahan, a man of immense government and private sector influence, pulled in technical advisors of all kinds to assist the planning effort. Melrose Commons became a success in a very short period of time. And Ron Shiffman, even though needing to remain in the background because of his position on the City Planning Commission, was able, with the consent of the Chair of the Commission, to provide some guidance to the effort until Giuliani became Mayor (DeRienzo, 2008, p. 135).

DeRienzo tells us about the structure of the relationship between professionals and residents. But Petr Stand's account of his own experiences and practices tells us about what it really meant to have Nos Quedamos as a client, and the shifts in mentality and practices that he and his colleagues had to make. In essence, they were shifting their allegiance and solidarity from the state to the community.

Early on, Stand knew that he wanted to work with Nos Quedamos on the Urban Renewal Plan. But he was hesitant to ask, assuming that they saw him as a privileged outsider "who lived in Riverdale"<sup>41</sup> (code for being privileged and not really "from the Bronx."). But as he remembers it, Yolanda García and Pedro Cintron turned to him towards the end of the one of the first meetings, when they realized that there would be more meetings and some kind of process. He remembers them saying that they couldn't pay them, but that they were beginning to trust him and landscape architect Lee Weintraub, and would the two of them act as Nos Quedamos' advisors? They needed their technical expertise and their ability to talk to other professionals:

And it was clear, for all their creativity, native intelligence, support for their community, they did not have the language of zoning, they did not have the language of development, construction, planning. Any of that. A number of the members of Nos Quedamos had really not traveled into Manhattan.

Stand met with skepticism due to the class and seeming power differences between himself, as an educated professional, and Melrose residents. A staff member of the mayor's office accused him, in private, of manipulating Nos Quedamos to get business for his firm. Stand recounts that he responded that business in architecture was flat at that moment, and "I have learned over the years that every time that I volunteered for something it has broadened my networking and has led to something positive economically for me. And yes, I really hope to grow this." But Nos Quedamos would not stand for planning that was not truly in their interests. After he and Weintraub came up with their first rendition of the Urban Renewal Plan, "Nos

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<sup>41</sup> Riverdale is the far northwestern corner of the Bronx and is famously wealthy and separate from the rest of the Bronx. Stand did not in fact live in Riverdale.

Quedamos looked at it and literally ripped to it to pieces in front of us. And asked, ‘Are you willing to listen?’” The answer was yes, because they were the client, “and ultimately, every architect needs a client.”

A fundamental shift occurred when Stand and Weintraub made the shift to seeing Nos Quedamos as their client<sup>42</sup> rather than one among many interest groups (at Nos Quedamos’ insistence). And because Stand and Weintraub took on this commitment, they had to jettison certain assumptions about planning and efficiency. They had to be committed to preventing displacement rather than the efficiency of full clearance. Stand recounts that Weintraub and he discussed that while among their professional peers, “the most efficient foundation of a development situation is that we just do clearance,” they knew that this would not be acceptable to Nos Quedamos. So they agreed to change their professional perspective:

And so we agreed, if there was an entire block with one house. One stupid, little, late 19th century, early 20th century piece-of-garbage house on that block, the human beings that lived in there were more valuable than the physicality of the building itself. And therefore they needed to stay. This is the Nos Quedamos program. And so it was not about urban, what do they say, urban removal.

Catharine Cary of the Urban Assembly, who was also involved with Bronx Center, Stand and Weintraub wrote in 1994 that while their role was termed “technical assistance,” this did not convey their role as “facilitators, scribes, idea generators, listeners” in the Melrose Commons Process:

We helped the community shape a plan simply by talking and listening. This places great value on the community's social, physical and spiritual resources, which are typically overlooked or ignored in the traditional planning process (Cary *et al.*, 1994).

These evolving practices and relationships were a key part of making Nos Quedamos’ goal of no displacement a near reality.

### **Melrose residents and City professionals: Citizens and the state**

Melrose residents, represented by Nos Quedamos, began to develop a new relationship with the state structures of the Bronx through their collaborative relationship with the Bronx Center professionals. But it was ultimately City planners with the Department of City Planning (DCP) and the Department of Housing Preservation and Development (HPD) who would write the Urban Renewal Plan, and it was City officials who would have to ultimately approve it. DCP was responsible for planning and rezonings, the City Planning Commission would have to approve the plan, and HPD was the owner of the property in question and the agency responsible for urban renewal plans (and a potential source of financing for development).

Stand recounts that the residents involved in Nos Quedamos wanted to meet with HPD and DCP to really understand what was going on, and to “give them a piece of their mind.” DCP, HPD, the local community board, the mayor’s office, a representative from the borough president, and local community and business people all came together in the basement of the

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<sup>42</sup> An architect unrelated to Melrose Commons characterizes the relationship between architect and client as, “you use your skills to shape the reality they want to inhabit. You’re accountable to them... It’s their values, it’s their goals, it’s their ideals, it’s their vision, it’s their priorities, it’s their means.”



Church of Peter and Paul in Melrose. According to Stand, this meeting was a shouting match. Stand's analysis of the situation was that this was a symptom of the estrangement of citizens and government in the South Bronx, the alienation of residents from the mechanisms of the state. And residents' suspicion offended City workers: "people in the neighborhood ultimately felt betrayed. [While] People of the City of New York felt that they were being tremendously disrespected... [as] professionals."

As a Bronx resident himself, Stand understood residents' feelings. Stand sees the relationship between citizens and government as partners, and in the Bronx they had become estranged. He and his wife felt that the city had abandoned the Bronx and used it as a dumping ground because there was no political power in the Bronx, no representation, due to racial politics. What he calls the "implicit compact" between citizens and government had broken down. He argues that this estrangement also manifested in the relationship of City staff with the neighborhood, as seen in the study City planners from DCP did of Melrose Commons in the 1980s. Planners videotaped the blocks as they drove through, seemingly never getting out of the car: "it was really clear... you'll see the video and you'll realize they never got out of their cars. So who's afraid of who here?"

And residents were suspicious of government because the City had failed to deliver basic services, services that they then stepped in to provide for themselves. Yolanda García told an interviewer in 1994, "I once had 40 fire extinguishers in my store; if there was a fire, we would go out and take care of it. We still have to clean up the area because the sanitation trucks don't come around here very often" (Bressi, 1994). Stand described how Yolanda García would remind people, "We were the fire department, we *were* the police."

In a later statement quoted in Stand, García, and Bautista (1996), García focuses on the positive change that can — and, she is determined, *will* — come out of Melrose residents being involved in state processes of revitalization:

When government and residents sit down and collaborate about community projects, life can only get better; participative and proactive management makes for a positive and healthy environment. The activity of "getting involved" offers Melrose members the chance to realize what we have been waiting for. The people of Melrose were the caretakers during a time when no agency (government or private) cared to help. Today, we are more than prepared to join forces and help our neighborhood flourish and thrive in a collaborative setting. Our community is dedicated to assist in the process of rebuilding itself.

Nos Quedamos activists and City planners and officials did come to have collaborative working relationships. García's response to an interviewer in 1994 on what it took to win support from city agencies implies that they succeeded due to their preparation and their collaboration with planning professionals. "Every time we sat down with an agency, they said, 'No, it can't be done.' But if you find a solution, it's hard for them to tell you it doesn't work." (Bressi, 1994). Because residents had worked to become planners themselves, with the help of allies in the Bronx Center project, they were able to push for their own solutions.

Stand saw the changing relationship between Melrose activists and City planners in terms of a growing recognition of commonality, and what I would describe as an appreciation of a working and middle class cosmopolitanism. He argues that the City professionals and Melrose residents began to find common ground as they discovered common cultural and class markers:

If you take a look at the people like Ibo, like Scott, like Richard [planners at HPD and DCP] these aren't people who live on the east 70s [the Upper East Side, the richest part of the city]. I mean, you just don't earn that much money as a planner or an architect or as a city functionary. The people in Melrose began to realize, at... these meetings, that these City people, [they] were them. They lived in the outer boroughs. They didn't necessarily own cars.

According to Stand, City planners also began to think of Melrose residents as their clients. A pair of planners from HPD and DCP told Stand:

You know, for so long we have worked downtown. And I've really lost touch with who our clients really are.... the ultimate client are the people who live in our neighborhoods. And this whole process has acquainted me with my client. And guess what? They're me.

Discovering this common ground allowed the two sides to work with each other. The professionals opened the planning process up to the residents. Stand remembers it like this:

Within three months, it was no longer barbs being passed across. The people in Melrose began to understand that they were actually benefiting from what government was doing. The folk within city agencies had met their client. And were getting kind of this professional... acknowledgement. And realizing that if they approached someone and didn't say, [imperiously] "this is what works." But [instead], "oh, what's your idea?" "Oh, well, I've studied this in school, and these are some of the consequences if we make that decision. And oh, by the way, this is technically, what it says in zoning or in code..." And so the whole attitude began to change. People had met each other. They were able to communicate. They realized that educational and economic issues aside, they were the same people, they were New Yorkers, who were trying to... [unclear]... [by the end of the planning process] there had been this cultural sea change.

Some of Stand's stories suggest a cosmopolitanism that transcends race and ethnicity, though Stand did not talk explicitly about race, and that this cosmopolitanism meant that planners and Melrose residents had similar values despite their seeming differences. It is unclear how far this understanding extended among the participants in the planning process; this is another area where it would be helpful to have the direct perspective of a Melrose resident active in the process.

Stand seems to attribute some of the potential for collaboration to Melrose residents' unexpected cosmopolitanism, a common understanding of the city that he sees as transcending race and ethnicity. He recounts several stories about how residents refused to be patronized or fobbed off with substandard service, such as arrangements with "gypsy" cabs rather than better bus service.<sup>43</sup> He applies the same framework to the story of a woman who protested that Courtlandt Avenue should not be changed to Hostos Boulevard.<sup>44</sup> Stand recounts the woman's response to the proposal to change the street's name and interprets it in terms of not patronizing residents by assuming that they have a parochial ethnic identity rather than a cosmopolitan one:

She goes, how do you expect my grandmother to find [her] home, if you change the name? What are you crazy? My grandmother knows it as Courtlandt Avenue, I know it as Courtlandt Avenue, my children know it as Courtlandt Avenue, don't you patronize me. This place has a history. There's a depth here. We are one of many inhabitants that go back over two hundred years living

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<sup>43</sup> "Gypsy" cabs are car services in the outer boroughs that are not supposed to pick passengers up off the street but routinely do it anyway.

<sup>44</sup> Eugenio María de Hostos y Bonilla was a Puerto Rican intellectual and advocate of independence for Puerto Rico, and a South Bronx community college is named after him.

in this community. Do not patronize me.

In a mirror image, Stand recounts a story about how a planner overcoming a certain kind of parochialism — his fixed ideas about the Bronx. According to Stand, Yolanda García talked about how her relationship with Ibo Balton at HPD changed when Balton went on vacation to Egypt. When he came back he said (in Stand’s paraphrase), “I’ve seen stuff that has been around for 2,000 years. I’ve seen the conditions in Cairo. Anything is possible in New York City, in the Bronx. I think I get it now.” Balton’s international travel allowed him to see the Bronx in a broader context, rather than being constrained by existing images and relationships between City planners and Bronx neighborhoods.

Wilhelm Ronda, who worked for HPD in the early 1990s and is now Director of Planning and Development for the Bronx Borough President, is another planning professional who was deeply shaped by his contact with Yolanda García and Nos Quedamos. He told me in an interview that he remembers Yolanda García as someone who turned “the planning world upside down,” and as someone he looked up to. He remembers García’s impact as:

Someone who upended systems and said “no, we don’t want to level our neighborhood or her neighborhood. We want to keep what’s good in our neighborhood and you know what, we just don’t want to bring low income housing either. We want to bring a mixture of housing.” And she was successful.<sup>45</sup>

His connection with Nos Quedamos was not initially promising — HPD sent him to Melrose Commons to do a survey of the area in preparation for demolition — but he credits Yolanda García with transforming urban planning:

Ronda: It’s a soft spot in my heart that I saw this woman turn the process upside down. Because I was on the other side of that. I was you know the functionary...

Guimond: You were the evil planner, or the evil....

Ronda: Evil bureaucrat... You know I never told her but to me she was like, “wow, you’re a teacher.” She became someone that I looked up to. And so she left a lasting impression on me.

But at the time, despite the breakthroughs made in the process of creating this collaboration, Melrose residents were still wary of state processes. David Gonzalez, a longtime Bronx reporter, made clear in a 1993 *New York Times* article that while this collaboration was promising, and “many of the public officials involved in the project portray it as a successful example of government’s heeding the demands of the people,” Melrose residents remained wary. Residents pointed out that they were dealing with the same people who had formulated the original Melrose Commons plan. Nos Quedamos’ voter registration drive was part of keeping City officials and planners accountable. Yolanda García emphasized this accountability and the importance of residents’ continued mobilization: “The government is cooperating but by no

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<sup>45</sup> Nos Quedamos’ position on the mixture of housing in the area is not entirely clear. Other sources from the early 1990s emphasize that Melrose residents wanted income diversity to ensure that some housing would have rents or purchase prices low enough to be affordable to them. But some, including Ronda, remember Yolanda García as committed to mixed income housing to bring in some higher income people. Ronda’s office in the Borough President’s office currently emphasizes the importance of mixed income development and “economic diversity” (see Conclusion for more).

means are they the savior... We want to make sure all the promises are kept. If the project takes 10 years to complete, we'll be around for 20" (Gonzalez, 1993).

### ***A hybrid revitalization***

The community planning process led to an innovative, and potentially contradictory, hybrid revitalization. This hybrid revitalization combined Melrose activists' determination to stay (and prosper) with Bronx boosters' vision for the growth and transformation of borough. Existing residents and businesses were to be the foundation for future prosperity and growth, and the liberal, pro-growth goals of the Bronx revitalization coalition were to be achieved through community-based planning and development. But many parts of this alternative revitalization did not fit the framework of urban renewal and could not be codified in the Urban Renewal Plan — and were therefore neither legally binding nor easily enforceable.

### **"We had to be a part of the prosperity"**

The Melrose activists had proposed a relatively radical rethinking of revitalization: growth and prosperity should be based on existing residents' strengths and improvements that benefited them, rather than starting over to create a new neighborhood supposedly free of the area's problems. This is a fundamental difference in the structure of revitalization. In the original Melrose Commons plan and the original Bronx Center planning process, Melrose residents were essentially invisible. Their invisibility in the planning process allowed for and foreshadowed their imminent physical displacement and social erasure from the neighborhood. Revitalization would have been built on this erasure and displacement, and this would have allowed the Melrose Commons Urban Renewal Area to be treated as empty — a blank slate for the reinvention of the Bronx and open frontier land for investors.<sup>46</sup> Instead, Melrose residents "flipped the script," asserting themselves as the *basis* for revitalization, rather than their absence forming the basis. At the same time, they continued to talk about revitalization as growth and investment — but with existing residents participating.

Residents' most fundamental demand was that they not be excluded from the proposed prosperity for their neighborhood. Yolanda García articulated that Melrose residents had a *right* to stay because they had stayed and cared for the area when everyone else had abandoned it. Talking to Gonzalez in 1993, García argued that planning, not residents, was the cause of the area's problems, and that residents should be rewarded for staying: "If this area deteriorated, it wasn't because of the people — it deteriorated because of poor city planning... If we kept our area up when it was in dire need of repair, we should be part of the progress" (Gonzalez, 1993). Recalling the process in 1996, García wrote that Melrose was the *residents'* community because they stayed when everyone else — including the institutions now seeking to renew Melrose — abandoned the area. She articulates that residents were determined that they would be part of the proposed prosperity:

The need to clarify that the community was not opposed to prosperity, that indeed we welcomed development, was our first issue. We set out to make it perfectly clear to all who criticized our

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<sup>46</sup> Frontier analogies have been used in many contexts to evoke the protean possible (and lucrative) futures of places by erasing the claims of existing residents. See Smith (1996) for an exploration of this in terms of gentrification in New York.

actions that we desired to be an integral part of the long awaited prosperity by remaining home owners, business owners and residents of the Melrose Community. In the proposed Urban Renewal Plan, our community was to be displaced, thereby removing the very same people who had weathered the abandonment of all aids and money throughout the past decades. These were the same community residents who had taken on the awesome responsibility of protecting their homes, businesses and ultimately "THEIR COMMUNITY." The Urban Renewal Plan removed us from prosperity and made way for new residents who would reap the rewards of our sacrifices. The idea that prosperity meant our community residents had to be sacrificed was inconceivable. We had to be a part of the prosperity. We Stay/Nos Quedamos is not only the name of our committee, but our mission statement (quoted in Stand *et al.*, 1996).

Nos Quedamos and its allies expanded on residents' demand for inclusion in prosperity, framing their interests and contributions in terms of investments and exchange value interests in the neighborhood. This put them on the same playing field as the proposed future homeowners and in line with the turn in City and Borough government toward seeing communities in terms of investment. Stand, García, and Bautista (1996) framed residents' protests in terms of their investments:

Without input into what was to become of their community, they were left without the means to plan for their future. They saw their investments in their community being devalued and rendered worthless, and opportunities for growth, employment and an improved neighborhood being denied to them. They demanded that any new development slated for the area include them.

Similarly, Stand recounts that Nos Quedamos began to talk about social equity, perhaps to make their claims intelligible in a context where homeownership was seen as the necessary solution to the South Bronx's problems. This was the idea that someone in a neighborhood "builds equity" just by being part of the local economy:

Let's say you live in a building. You're poor. You might be on some kind of social services. But you live in a community, send your kids to a local school. You walk the streets, you throw your garbage away, you purchase your food in the local markets. Aren't you developing equity, aren't you protecting your neighborhood? Aren't you as valuable who owns that house and is paying taxes? And you know, that was really the Nos Quedamos position.

An article by Bronx Center colleagues Cary, Stand and Weintraub articulates this in terms of how human capital can fuel revitalization. If someone wanted to stay in Melrose, "that level of commitment represented a significant investment, a threshold that was more than enough to plan a block and develop a community around" (Cary *et al.*, 1994). They expand this to argue for "a new measure of a neighborhood's health," not the physical redevelopment usually seen as growth, "but the will and determination of those who live and work there, its human capital" (Cary *et al.*, 1994).

Growth was bent and redefined as residents became part of the planning process for revitalization. Residents' interests were framed as investments, and their determination as capital. There are echoes here of sweat equity, with residents' work during the bad times standing in as neighborhood-level equity. And residents' mobilization and self-organization in their demand for self-determination is also reminiscent of the struggles of the 1970s (see chapter 2). But like sweat equity, the Melrose activists were dependent on state funding to redevelop their neighborhood, and the nature of this support would shape the area's redevelopment.

## Building a local economy by and for residents

The 1993 Bronx Center report, an interim report on the Bronx Center project, expanded on the relationship between residents and the local economy and frames this relationship as the foundation of revitalization. In this section, I do a close reading of this report to explore the framework of the alternative revitalization created through the community planning process.

In 1992, the report on The Bronx Center Land Use and Urban Design Study made the Bronx's image — and its ability to attract outside investors and new residents — the central object of the Bronx revitalization coalition's strategy. Less than a year later, the 1993 Bronx Center interim report showed how substantially the Melrose Commons community planning process had changed the project and the Bronx revitalization coalition. The 1993 Bronx Center report almost completely drops the framework of the Bronx's image as the crux of revitalization. Instead, it focuses on rebuilding the local economy as the basis for revitalization, with existing residents as the foundation for both the local economy and revitalization. This, in turn, is based on "bottom up" planning.

The report articulates four "guiding principles" for the Bronx Center planning process. The first guiding principle is a statement of the need for bottom-up planning. The report opens with the following statement, in huge type: "Effective and meaningful planning must be the product of a 'bottom up' community-based process. Planning based on this principle holds the most promise for long-term benefits for all members of the community" (Bronx Center Steering Committee, 1993, p. 3). This is followed by a photo (covering two full pages) of community members at a public meeting holding up a sign saying, "We Are Staying." The report claims that bottom-up planning is important for economic reasons: it "holds the most promise for long-term benefits for all members of the community" (Bronx Center Steering Committee, 1993, p. 7)

The second guiding principle corrects the tendency of urban renewal to focus on physical infrastructure, making other costs — and benefits — invisible. It is that "planning must be interdisciplinary, comprehensive and integrated at every stage," which is clarified as that the renewal of physical infrastructure is integrally linked to creating new opportunities for Bronx residents. "The human agenda must form the basis for an agenda of physical renewal" (Bronx Center Steering Committee, 1993, p. 7).

The third guiding principle most clearly articulates the connection between benefits for existing residents and future prosperity. This is framed in terms of economic development emanating out from Bronx Center, rather than capital and people being brought in from elsewhere as the only way to improve the Bronx. The principle is:

Bronx Center must become an economic engine for the borough as a service-providing center that will influence an area far beyond its nominal boundaries. It will provide the education, training, and access to capital needed for full participation in the economy of the 21st century, lead in delivering health and human services, and offer far more recreational and cultural opportunities than are now available (Bronx Center Steering Committee, 1993, p. 16).

The report claims that the Bronx has immense untapped potential to benefit the city's economy, using the same regional frame as the 1988 RPA report *New Directions For The Bronx* but reversing the causality: the Bronx will benefit the region, rather than the Bronx being revitalized by its proximity to opportunity. "The Bronx Center will strengthen the city's overall

economy as it realizes the enormous untapped potential that derives from a key central location, an ethnically diverse and culturally rich population and an underemployed but eager labor force” (Bronx Center Steering Committee, 1993, p. 16).

The economic development section rewrites the conventional narrative of the decline — and revitalization — of the Bronx by presenting residents’ poverty as externally induced and, most unusually, as something that can be changed. The highest priority is to expand economic opportunities for residents, for in fact their lack of “opportunity to earn enough to lead stable and fulfilling lives in a secure and attractive environment” (Bronx Center Steering Committee, 1993, p. 20) is the source of the area’s most serious problems. Revitalization will come from residents’ and local businesses’ strengths and successes, rather than their elimination. Development “must be anchored on existing strengths — the success that community residents, businesses, and institutions already have achieved as well as the untapped energy and ingenuity of the area’s residents” (Bronx Center Steering Committee, 1993, p. 8). Moreover, the report argues that residents should not benefit from economic growth solely as workers, they must have the opportunity to participate “also as entrepreneurs and investors” and have access to capital to gain business skills and be able to profit. The report also calls for opportunities for investment by local business people. More conventionally, the report calls for jobs and job training to be part of every Bronx Center project.

The final guiding principle is, “we must continue to anchor the Bronx Center on a participatory planning process that develops civic responsibility and helps rebuild civic life.” This is in itself a benefit to residents as it empowers them and “restores trust in government and the planning process as vehicles for positive change” (Bronx Center Steering Committee, 1993, p. 8). This is the political corollary of establishing residents as the foundation for revitalization.

While the report’s pronouncements on economic development tend towards the abstract in their attempt to rethink growth and revitalization, the housing section lays out very concrete goals and principles intended to both protect existing residents and allow for population growth. The first principle in the housing section concerns the development of housing affordable to existing residents. Previous plans for Melrose Commons had an overwhelming emphasis on moderate- and middle-income housing, almost all of it homeowner housing. This was another factor in the projected displacement of Melrose residents: very few of them would be able to afford housing in Melrose Commons after redevelopment. Because of this, the first principal articulated in the Housing, Open Space and Urban Design section is, “both new and renovated housing must be developed to meet the needs of residents of all income levels... the highest priority must be given to people who already live in Bronx Center and surrounding neighborhoods” (Bronx Center Steering Committee, 1993, p. 37). New, potential residents’ needs — including higher income residents — should be given a lower priority: “only after [existing residents’] needs are met should priority be given to new residents who will be drawn to the area by the opportunities created by renewed economic activity” (Bronx Center Steering Committee, 1993, p. 37).

Providing for low-income households, both existing and new, meant expanding the types of housing created beyond homeownership. The report agrees with previous plans that “home ownership [is] a vital component in neighborhood revival,” but calls for other kinds of housing for “special situations,” including “tenant-managed units, housing for the elderly, assisted

housing and housing for staff and students of Hostos Community College, the Police Academy and Lincoln Hospital” (Bronx Center Steering Committee, 1993, p. 37). Melrose Commons specifically “should offer mixed-income housing, designed to meet the needs of existing residents regardless of income level, and of low- and moderate-income new residents who may be drawn to this new community” (Bronx Center Steering Committee, 1993, p. 39).

The report acknowledges and addresses fears of dislocation:

Many Bronx Center residents fear that housing construction will force them from their homes and they will be unable to afford other places to live. We fully recognize the reality of these fears. Our second principle [of the Housing section] is that current residents have the right to continue to live in their own community. Relocation due to new housing construction or renovation of older units must only [be] allowed when concerted consultation with the community has shown that no other solution is possible, and it must be accompanied by a package of benefits that includes the right to return to affordable housing in the neighborhood. All financial arrangements devised to deal with dislocation must be designed to keep people and businesses in the community (Bronx Center Steering Committee, 1993, p. 37).

The 1993 report continues the Bronx Center projects’ emphasis on the importance of urban design and architecture but redirects it. Rather than design being an integral part of reinventing the Bronx’s image, it will be part of strengthening community: “we believe that a well-designed urban environment will contribute substantially to the reconstruction of the social fabric. Architecture and urban design in the Bronx Center must reinforce our vision of social cohesion, share responsibility and renewed spirit of community” (Bronx Center Steering Committee, 1993, p. 38).

The framework for the Melrose Commons development in the 1993 Bronx Center report reflects both *Nos Quedamos*’ commitment to preventing displacement and a vision of revitalization as based on private investment. The report asserts principles developed in community forums as the foundation of the plan: no involuntary displacement unless no other solution is possible, and the right to return to affordable housing in the neighborhood. The report also sets a goal of 60-100 units per acre because “the project’s potential for attracting private investment and for renewing the Bronx Center will be compromised” if fewer units are built” (Bronx Center Steering Committee, 1993, p. 39-40). Under this framework, residents are intended to benefit from thoroughly planned private and public investment.

## **The Melrose Commons Urban Renewal Plan**

The Melrose Commons Urban Renewal Plan (URP) that came out of the community planning process reflected some of the core goals and principles articulated by participants and documented in the 1993 Bronx Center report. But much was left out as well, and not all of the goals of the planning process were achieved as redevelopment progressed. This was, in part, because not all of the principles could be incorporated into the framework of an urban renewal plan.

The details of the Melrose Commons URP illuminate how Melrose activists’ mobilizations and the community planning process managed to shift the framework of urban renewal. *Nos Quedamos*’ main victory was the prevention of displacement, and this is manifested in the



exemption of numerous individual properties from the URP. In the URP's description of the Urban Renewal Area, "exempt parcels" are specifically noted as not to be acquired by the City for redevelopment. Legally, they are not part of the Urban Renewal Area nor subject to the provisions of the URP, even though they are located within the boundaries of the Urban Renewal Area (New York City Department of Housing Preservation and Development, 1993, p. 3). These were the homes of residents<sup>47</sup> who did not want to leave.

Another way the goals and principles of the community planning process were incorporated into the URP was through a series of urban design controls. Over the course of the community planning process, Melrose residents and planners had come to agree on a set of design principles that would force the development of a diverse urban environment, rather than the more uniform (but cost-effective) initial design for homeownership housing. The urban design controls specify the density of particular sub-areas to ensure appropriately urban densities throughout the project. They also specify how far back the front wall of a building can be from the street; residents wanted to avoid suburban-style parking in front. The controls also limited curb cuts, and therefore driveways, to protect the integrity of the sidewalk and urban sidewalk life.

Petr Stand related to me that these design controls were created by DCP as the deadline for the URP approached as a way to accommodate both Nos Quedamos' principles and their desire to support speedy redevelopment. DCP explained to Nos Quedamos that the principles could be encapsulated in a special district designation, but that this would make for a longer approval process for any development. According to Stand, this was not acceptable to Nos Quedamos:

The people in Nos Quedamos said, no, we are for development, our area needs development!

There's too much open space, there's all this illegal dumping going on. We are pro-development, we just don't want to be excluded from development. We want to benefit from development.

On the other hand, the urban design controls would allow "less of a process [than a special district] in terms of getting buildings approved for development."

At the same time, some of the language of the URP is so clearly divorced from the language and spirit of the community planning process that it is clearly boilerplate required by New York urban renewal law. Much of this boilerplate is counter to the spirit of the community planning process. The objectives of the plan start with "eliminate blight and maximize appropriate land use" and continues with "remove impediments to land assemblage and orderly development," and "strengthen the tax base of the City by encouraging development," among others. These goals are followed by an affirmation that after redevelopment, the area "will have reasonable protection from decay, will constitute a stable environment, and will have a beneficial influence on abutting public and private developments" (New York City Department of Housing Preservation and Development, 1993, p. 6). This kind of language, presumably legally necessary, adheres to the conventional form of urban renewal, where an area is declared blighted, state intervention is declared necessary, and this intervention is intended to transform the area and separate it from its blighted past. The existing residents are largely invisible in this conventional form, except for a brief section on relocation.<sup>48</sup>

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<sup>47</sup> It is unclear if this included rental tenants as well as homeowners and the owners of multifamily buildings; it would be difficult for tenants to stay without the support of their landlord.

<sup>48</sup> See the Broadway Triangle and Willets Point URPs for comparison. They were available at

## What's missing from the Urban Renewal Plan

While Melrose activists had succeeded in reshaping the URP to prevent massive displacement and to foster a more diverse urban environment, many of the goals and principles of the community planning process could not be codified in the URP. The vision of a revitalization based on the strengths and needs of existing residents is mentioned nowhere. This vision and the practices that would be necessary to underpin it were not compatible with the legal form of urban renewal. The URP does not have structures that formalize or encourage bottom-up planning, nor community-based development. A diversity of housing types is encouraged by the urban design controls, but the URP does not ensure that the housing built will be affordable to the existing residents. The URP has no mechanism for shaping the kind of economic development that will come out of the redevelopment, much less a way to ensure that residents should gain greater opportunities through it. While the exemption of parcels from the URP prevented displacement at that moment, the URP cannot prevent further displacement through redevelopment or gentrification. Ferrer and the Bronx revitalization coalition used the legal tools of urban renewal to allow for a more interventionist state, but their openness to community participation was simply not supported by these tools.

The limitations of the official URP in expressing Nos Quedamos' positive vision are most clearly shown in the addendum appended to the end of the URP. This addendum (which is quite similar to the 1993 Bronx Center report) summarizes Nos Quedamos' principles much more fully than was possible in the URP. Petr Stand observed in our interview that while the addendum is clearly not part of the URP, it is important because it makes clear that the Melrose Commons URP is the rare example of an urban renewal plan created through an open process, rather than by the state or municipality. But while the inclusion of these principles in the official document was undoubtedly a victory, the addendum is very clearly not legally binding. At the end of the URP, there is a page with only "End of the Urban Renewal Plan" on it, and at the bottom of each page of the addendum is "FOR INFORMATION ONLY/NOT PART OF URBAN RENEWAL PLAN." There will be no legal doubt about whether the more ambitious, less concrete statements of the addendum are part of the URP or not — and thus legally binding for developers.

Nos Quedamos' summary of planning principles in the addendum begins with a shift away from the URP's concern with blight and design. They begin by defining the strength of a community as its ability to provide for current residents and for their children, its sustainability. This strength "is defined by the value that is placed upon the individuals who live and work within the community" and their vision for the community. The addendum then echoes the framework of the 1993 Bronx Center report, asserting a vision shared by the City, the Borough, and the local community that "respects, supports and involves the existing community in the formulation of plans and policies that address the issues of housing, open space, community renewal and sustainability that are vital for the continued growth of the Bronx and its role in the regional economy" (New York City Department of Housing Preservation and Development, 1993, p. 35). Here again, the existing community is the focus of revitalization, and the idea is

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<http://www.nyc.gov/html/hpd/downloads/pdf/AppendixB-BT-Urban-Renewal-Plans.pdf> and [http://www.nyc.gov/html/oec/downloads/pdf/dme\\_projects/07DME014Q/FGEIS/07DME014Q\\_FGEIS\\_Appendix\\_A.pdf](http://www.nyc.gov/html/oec/downloads/pdf/dme_projects/07DME014Q/FGEIS/07DME014Q_FGEIS_Appendix_A.pdf) as of November 2013.

that local redevelopment that supports the community will support the growth of the Bronx and change its role in the regional economy. The liberal goals for economic growth of the Bronx revitalization coalition as articulated in Ferrer's 1990 Strategic Policy Statement and the 1992 Bronx Center report are intended to be achieved through radically community-based planning.

The addendum emphasizes community involvement and benefits to existing residents in a series of goals that came out of the community planning process but were not explicitly included in the URP. These include providing "a framework for the redevelopment of the area that respects the existing community" by bringing it in as a partner in development (New York City Department of Housing Preservation and Development, 1993, p. 35); providing services and opportunities not currently available; becoming "a desirable place to live and do business in for new and existing residents" (New York City Department of Housing Preservation and Development, 1993, p. 36); and supporting "the existing community by the creation of housing that is affordable to people who live within the area" (New York City Department of Housing Preservation and Development, 1993, p. 36). The addendum also calls for economic development based on the community's existing strengths that will "enable community residents and businesses to increase their earning potential and expand their economic opportunities" (New York City Department of Housing Preservation and Development, 1993, p. 38). The addendum, in contrast to the URP, fleshes out how the existing community should be a part of revitalization.

When it comes to the principle of creating a mixed income community, the addendum adds the nuance that while creating a variety of occupancy types will allow a mixed income neighborhood to develop, "affordability is the primary issue in the development of the new housing and has to address the fact that the median income in this area is very low" (New York City Department of Housing Preservation and Development, 1993, p. 36). This emphasis on affordability has since sometimes gotten lost in officials' enthusiasm for mixed income development that brings more affluent residents to the South Bronx. The principle also calls for the involvement of tenants of City-owned buildings in their disposition, which would presumably foster tenant cooperatives or allow tenants to push for nonprofit ownership.

The final section calls for continuing community participation in the planning process and the plan's implementation. The addendum claims that the working relationship between Nos Quedamos, Bronx Center, the Borough President, and the City has given the plan a broad base of support and "will result in a community that will invigorate its sense of public trust and civic responsibility as well as provide the physical and economic base for renewal and growth" (New York City Department of Housing Preservation and Development, 1993, p. 38-9).

Because Nos Quedamos' goals articulated in the addendum to the URP could not be codified in and enforced by the URP, they would have to be gained through ongoing negotiation and struggle.

### ***The beginnings of development***

The passage of the Melrose Commons Urban Renewal Plan was not the end of the story of Melrose Commons; the effects of the URP would ultimately be felt in the development process and the effects of redevelopment. I quickly sketch Nos Quedamos' efforts to develop Melrose

Commons in the 1990s here to show how Nos Quedamos was able to initially implement the hybrid revitalization developed through the community planning process for the URP. But as the next chapter will show, in the 2000s, influence and control shifted away from Nos Quedamos and other community organizations as efforts to bring capital back into disinvested neighborhoods succeeded, thanks in part to the effects of the 2000s real estate boom and crisis.

Initially, development in Melrose Commons was slow and difficult. Mayor Giuliani, newly in office, opposed the passage of the Melrose Commons URP and tried to sabotage it by having the chair of the City Planning Commission insert last-minute changes (Stand, 2011). The collaborative process that had produced the URP was a challenge to mayoral control, and Ferrer was a potential political rival to Giuliani. Development, especially when it involves City acquisition of property and demolition, is necessarily a slow process. And with Giuliani in power, the City did little to support development in Melrose Commons.

In the wake of the passage of the URP, Nos Quedamos decided to get involved in the development process because, according to Stand, they were convinced that if they did not, redevelopment would ultimately not serve them and would cut them out somehow. They were also committed to getting housing built that would be affordable to them; there was still a push to make Melrose Commons more middle class, as shown by an HPD proposal to put low-density homeownership housing on Third Avenue, where Nos Quedamos had pushed for denser rental housing and a restoration of the urban fabric. Stand recounts his memory of Nos Quedamos' decision to get involved in development and the priorities they brought:

At a post-approval meeting at Nos Quedamos, someone said, what do we do now? We're grassroots, we got them to change it, we have urban design controls. And someone said, unless we can get into development, ultimately, they're going to ride right over us. And then someone wrote a quick note and posted it on the bulletin board, "No villas in Melrose." In other words, we need to support housing. We need to support housing appropriate for us. This is not about building villas for ourselves.

Stand told me that Nos Quedamos' first forays into development were made with more experienced partners. HPD did not issue public calls for development in Melrose Commons (requests for proposals, or RFPs), so the only way to move development forward was to push for "site control." This meant persuading the funding and permitting agencies — New York State Division of Housing and Community Renewal (DHCR, now simply HCR) and New York City's HPD foremost among them — that Nos Quedamos was a legitimate development entity with a viable plan for a particular site. Nos Quedamos could not show this on its own because they had no experience yet. But Richard Kahan, who continued to head the Bronx Center project, connected Yolanda García with Phipps Housing. Phipps is one of the oldest affordable housing developers in the City and is both nonprofit and works citywide. Phipps offered to co-develop the first project, Puerta de Vitalidad, with Nos Quedamos to jumpstart development in the Melrose Commons Urban Renewal Area. Because Phipps had more than enough experience, HPD gave the team site control. Puerta de Vitalidad and a number of other early projects in Melrose Commons were funded through the New York State housing agency, DHCR. Unlike HPD, DHCR had a preference for working with nonprofits rather than for-profits.

Different development pathways created more or less opportunity for Nos Quedamos to influence development in Melrose Commons. Nos Quedamos successfully lobbied to have HPD's proposed homeownership project moved from Third Avenue to Elton Avenue, a smaller-

scale street. The project was being done through the New York City Housing Partnership, and Partnership projects did not allow non-profit developers. This meant Nos Quedamos could only be a sponsor, and according to Stand, non-profit sponsors often had little real input into the process. Nos Quedamos then asked Stand's firm, MAP, to be developers on the project, and MAP agreed to involve Nos Quedamos directly in development. MAP and Nos Quedamos developed a collaborative relationship with Procida Development, the for-profit developers who got the project, allowing Nos Quedamos to have day-to-day input.

Through these and other efforts, Nos Quedamos was successful in jump-starting development in Melrose Commons and ensuring that at least some of the goals of the collaborative planning process were carried out. The quick sketch above shows how much work goes into making development possible, and what it took in the 1990s for a community organization to be involved in the redevelopment of their neighborhood. The fact that the City did not fully support development in Melrose Commons at the time increased the difficulty to some extent. But the relative lack of City involvement also meant that Nos Quedamos was not shut out or forced to compete with more experienced developers. This meant Nos Quedamos was able to significantly influence development in Melrose Commons in the 1990s and was directly involved in most of the projects started during that time. This changed in the 2000s, as City attention to Melrose Commons increased and the boom of the 2000s took off. As the next chapter will show, the return of capital to devastated neighborhoods also often involved less self-determination for communities and fewer opportunities for community organizations, and this had direct impacts for how the Melrose Commons Urban Renewal Plan was implemented.

## Chapter 5: The Making Of a Flow of Capital Into Revitalization

Between the 1990s and the 2000s, development in Melrose Commons was transformed. The last chapter showed how a community movement in Melrose was able to force a collaborative planning process for an Urban Renewal Plan for the area in the early 1990s. The new plan prevented displacement and took steps toward making existing residents the basis and the beneficiaries of revitalization. *Nos Quedamos*, the community organization that came out of the planning process, was able to influence the redevelopment of the area and was involved in most of the projects built in Melrose Commons in the 1990s.

Redevelopment took off in Melrose Commons in the South Bronx in the early 2000s, outstripping the Melrose Commons Urban Renewal Plan's vision of density and income diversity. Attractive three family townhouses with energy-saving features filled block after block of side streets, built through the New York City Housing Partnership program. The Aurora and The Orion, high rise condominium and coop ownership apartment buildings, were built on Third Avenue and attracted buyers from throughout the city. *Nos Quedamos* was involved in many of these projects. But as the boom continued, several for-profit affordable housing developers built large complexes in Melrose without non-profit or local partners. Atlantic Development built a large complex on a site the community plan originally reserved for cultural uses and public space. Called The Residences at Northrose and Boricua Village, the project has more than 700 apartments for low, middle, and moderate incomes, but apparently segregates the apartments for low-income tenants into separate buildings. Just outside the official Melrose Commons Urban Renewal Area, Jackson Development built St. Ann's Terrace, also with more than 700 apartments and a mix of incomes. And in 2006, HPD held a contest to create a showpiece green, mixed income affordable housing development on an odd-shaped parcel in Melrose, and the 221-unit Via Verde project was built on the site with 71 moderate- and middle-income co-op (ownership) units and 151 units of low-income rental housing.

Because many of the developers did not have close ties to the neighborhood, they were less likely to go beyond the modest community involvement required by the formal processes of planning, financing, and building affordable housing. Unlike the creation of the Urban Renewal Plan, the revitalization of Melrose Commons was no longer a vibrant community-based process.

Melrose Commons experienced a boom in affordable housing development at the same time as the subprime boom, and it was financed by some of the same financial institutions. The boom in Melrose was made possible by the success of the federal Low Income Housing Tax Credit (LIHTC) program. This program, in conjunction with the Community Reinvestment Act (CRA) and due to the work of HPD and many others, created a relatively reliable flow of capital into revitalization efforts in the South Bronx via affordable housing. (LIHTCs became the dominant source of affordable housing funding in New York City in the 1990s). This flow of capital contributed to the alienation of revitalization from community movements.

The character of the revitalization taking place in Melrose Commons was shaped by this capital flow. As I have argued in previous chapters, state-sponsored revitalization has typically encompassed contradictory strands of revitalization, from revitalization as autonomy from market forces through the creation of alternatives to for-profit landlords to revitalization as the

revival of real estate markets and the return of private capital. These two strands of revitalization have been in ideological conflict, and in this chapter I show the nitty gritty of how they have been in material conflict as well. As flows of capital into revitalization have been developed and the strand of revitalization emphasizing the return of capital has become more dominant, revitalization has become increasingly tied to the financing sector and increasingly alienated from community movements seeking to create alternatives to market-driven, for-profit forms of housing for poor and working class people. The consequences of this are that revitalization is shaped by the preferences of investors from the financial industry, financing for revitalization follows the boom and bust cycles of the industry, and Bronx residents are less likely to benefit from revitalization or be able to influence it.

In the first section of this chapter, I describe the production of a flow of capital into revitalization via LIHTCs and the CRA. This flow did not emerge naturally; it had to be made. The flow was created through a tightening relationship between affordable housing and the financial industry. LIHTCs were created in 1986 to encourage investment in affordable housing. The Community Reinvestment Act was passed in 1977 to encourage financial institutions to invest where they took in deposits (a measure against redlining and disinvestment of poor and working class areas), but it was not systematically enforced until the 1990s. As financial institutions looked for ways to fulfill their obligations efficiently, LIHTC investment became banks' preferred method of meeting their CRA needs. This relationship between the financial industry and affordable housing was systematized and streamlined through the work of syndicators of LIHTCs, who formed a crucial bridge between LIHTC investors and developers, and HPD. Once non-profit developers and syndicators had proven that LIHTCs were relatively low risk and potentially lucrative, for-profit developers and syndicators emerged.

The second section of this chapter shows how this flow of capital into revitalization was not steady; it is dynamic and volatile, shaped by its relationship with the financial industry. The boom and bust of the first decade of the 2000s showed the impact of swings in the financial industry on revitalization, and how the growing relationship between the financial industry and affordable housing was shaping revitalization. In some ways, the boom looked like the success of revitalization in the South Bronx. Redevelopment was on a larger scale and denser, and it involved mixed income housing and the arrival of people of a slightly higher class than existing Bronx residents. With extensive development opportunities in Melrose Commons and a call for greater density, Melrose Commons became the site of the densest and most diverse redevelopment of any neighborhood in the South Bronx. But because of its link to the financial industry, affordable housing experienced a boom alongside the rest of real estate, though more muted, and this seeming success of revitalization was as much about an excess of capital looking for deals as it was about the revival of the local economy. Furthermore, it was gentrification and displacement elsewhere in the city that created more demand in the Bronx from slightly higher income people.

The bust following the boom led to the consolidation of the affordable housing industry as many investors left the market and remaining investors were able to demand less risk and higher yields. This meant that larger, more experienced developers with good track records and good balance sheets were favored. This was especially hard on weaker local CDCs that had not been very business-oriented and may have depended too much on real estate development to fund their organizations. It was also more difficult to fund projects in less-proven neighborhoods.

Investors' demand for less risk pushed revitalization closer to conventional patterns of real estate investment and disinvestment.

The third and final section of this chapter looks at the effects of LIHTC-fueled redevelopment on the revitalization of the South Bronx. The systematization of the flow of capital into revitalization has contributed to the alienation of revitalization from the control of Bronx communities, and this means that most South Bronx residents are not eligible for and cannot benefit directly from LIHTC-funded redevelopment. Financing for affordable housing, and thus much of state-sponsored revitalization, is only accessible to people making certain incomes that fit into official categories. The way LIHTCs are structured, the incomes of most South Bronx residents are *too low* for them to qualify for low-income housing. This has become controversial among Bronx residents, organizations, and planners. The income ranges used for LIHTC eligibility are biased upwards by a definition of low-income based on the metropolitan area that fails to encompass the actual breadth of urban inequality and by a policy of making subsidized housing available to higher income households because housing is so expensive in New York City. Finally, I show how *Nos Quedamos* in Melrose attempts to bridge the gap between bureaucratic structures and the needs of their community in their daily practices. This developer argues that these kinds of practices are what determine if revitalization causes displacement and gentrification or benefits existing residents.

The changing structures and processes of revitalization have increasingly alienated it from community movements and connected it more closely with real estate markets and gentrification. Revitalization has held in tension both a search for ways to bring capital into disinvested neighborhoods and attempts to increase the political power and self-determination of poor neighborhoods. As revitalization came to be more about the successful return of capital, opportunities for self-determination have suffered.

LIHTCS are certainly not the only housing subsidy program or development institution that has contributed to the alienation of revitalization from community movements or the link between revitalization and markets. But LIHTCS have been the dominant form of affordable housing financing in New York City for two decades, and the structures and institutions of LIHTC-funded development affect many, many projects and neighborhoods within New York City, and similar processes hold in other American cities, as well. Thus, this chapter uses an exploration of the nitty gritty of LIHTC development to examine how revitalization has been structured by trends in affordable housing financing, institutions, and relations.

This story would be largely invisible if I were to focus solely on the structures of LIHTCs as defined through policy and law. It is only by an exploration of how revitalization-via-LIHTCs is shaped and implemented through concrete practices that we can see how the abstraction of this flow of capital into revitalization has been constituted and its implications. Thus, I use ethnographic methods to explore the political economy of revitalization and LIHTCs. I tell this story through interviews with participants in the affordable housing industry, supplemented by ethnographic observation of industry events and academic and gray literature on LIHTCs and CRA. The diverse and contradictory nature of revitalization is embodied in the careers, opinions and practices of the professionals and activists who work in affordable housing and revitalization more broadly.

In this chapter, I expand my frame beyond the revitalization of the South Bronx to include



interviews with affordable housing professionals connected to the Northwest Bronx Community and Clergy Coalition. The Coalition was formed in 1974 to prevent the arson and abandonment devastating the South Bronx from spreading to the northwest Bronx. Because processes of disinvestment and abandonment hit the northwest Bronx later than the South Bronx, the Coalition was largely successful in preventing landlords from abandoning their buildings and forming local institutions to deal with what abandonment there was.

I include the northwest Bronx in this chapter because it has had a different relationship with reinvestment than the South Bronx, since many more buildings remained in private ownership. A number of alums of the Coalition who have gone on to work in the affordable housing industry agreed to speak with me, and their experiences encompass the early use of the CRA (the Coalition was involved in the CRA's passage), the growth of LIHTCs, and the juxtaposition of speculation on less-regulated housing next to very regulated redevelopment of abandoned properties.

### **The basics of LIHTC**

A basic understanding of the structure of LIHTCs is necessary to understand the processes described in the rest of the chapter. LIHTCs were created in 1986 as part of the Tax Reform Act to replace the previous subsidies for multifamily construction: the tax benefits of accelerated depreciation and, before that, project-based Section 8 (Orlebeke, 2000).<sup>49</sup> The LIHTC program operates by rewarding the construction of affordable housing with federal tax credits, paid out over the course of ten years.<sup>50</sup> But developers need equity up front to cover construction costs and reduce debt burden; this relatively low debt burden that allows projects to function on the lower rents necessary to receive LIHTCs. (This is roughly equivalent to a homebuyer making a larger down payment to enable them to take out a smaller mortgage and lower their monthly mortgage payments). Rents are required to be affordable (defined as no more than 30% of household income) to households making 60% or less of area median income (AMI), where AMI is calculated at the metropolitan level.<sup>51</sup> The first LIHTC projects were required to adhere to affordability guidelines for only 15 years, but affordability terms have increased over time to 35 years or more.

To receive the necessary capital up front, developers “sell” tax credits to investors, often in a transaction facilitated and overseen by tax credit syndicators who group projects into a fund investors can buy into, allowing investors to spread their risk across a number of projects.<sup>52</sup>

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<sup>49</sup> A critical history of the creation of LIHTCs is beyond the scope of this dissertation but would be an important addition to the literature.

<sup>50</sup> Once a project is constructed and the apartments have been rented out, roughly 9% of the construction costs are returned as tax credits each year for ten years. Investors continue to receive other tax benefits, such as depreciation, until the fifteenth year of the project.

<sup>51</sup> More precisely, to be awarded LIHTCs, a project must have 20% of units with rents not exceeding 30% of the income of households making 50% or less of AMI, or 40% of units with rents not exceeding 30% of the income of households making 60% or less of AMI.

<sup>52</sup> LIHTCs are not literally transferrable. LIHTC projects are legally limited partnerships or limited liability companies where investors become limited partners in the projects they fund, with 99% ownership but with no management responsibilities and limited liability. Developers

Investors then use the tax credits to offset their tax burden for the next ten years. The developer supplements the equity he or she receives through LIHTCs with loans and other subsidies to build the project. The complexity of how subsidy programs intersect and the capacity to deal with this complexity is known as “brain damage” in the industry. At a national affordable housing conference in 2010, I heard a speaker describe a program to attendees: “It’s a good product, but you have to decide if you have the time. If you have the brain damage and you’re not suicidal, it’s worth looking at.”

While the credits apply to federal taxes, they are administered by housing finance authorities set up by the state, or by the municipality in the case of larger cities like New York (HPD is the housing finance authority in New York City). The credits are allocated to the states based on population, and the supply of LIHTCs is much less than the amount of affordable housing needed or the amount in demand.<sup>53</sup> See Figure 1 for a simplified schematic of the flow of credits, capital, and tax benefits.

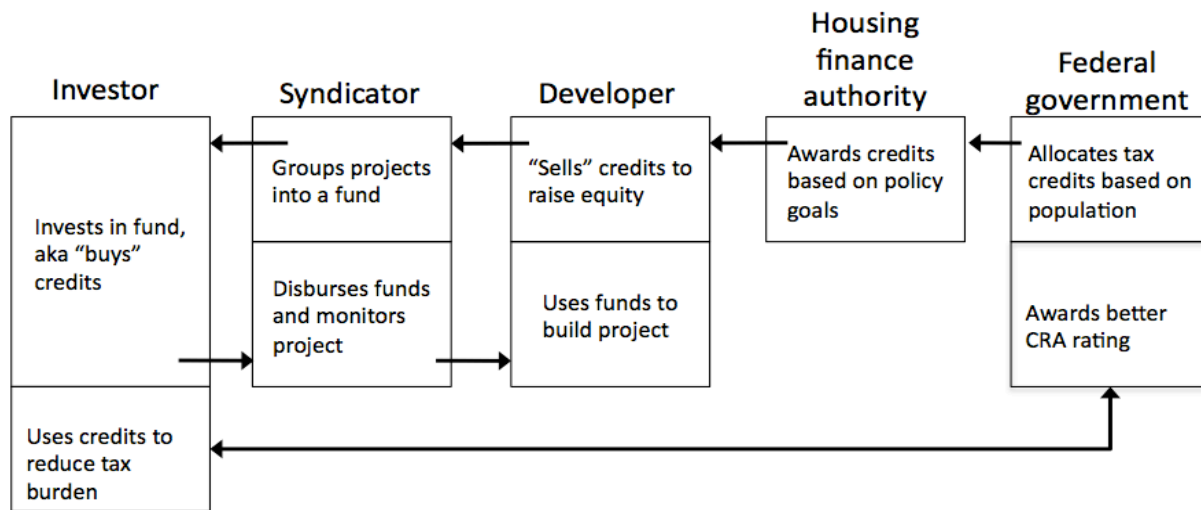


Figure 1: Simplified schematic of the flow of Low Income Housing Tax Credits, capital, and benefits.

### ***The making of a “flow” of capital into revitalization***

Movements of capital tend to be naturalized as abstract flows emerging inexorably from economic systems. This is true to some extent, but they are also the result of immense amounts of work that go into the making of a system that works in a particular way. These flows require

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are the general partners in the partnership, with little technical ownership (and thus no tax benefits) but all management responsibilities. When LIHTCs are syndicated, the syndicator creates a limited partnership or limited liability company that owns 99% of each project in the fund. The fund’s investors each own a portion of the fund, together totaling 99% ownership. See Rhine (2008) for more details.

<sup>53</sup> The program allocated \$1.25 per resident when it began in 1986 (Novogradac & Company LLP, 2013), and in 2012 it allocated \$2.20 per resident per year (Keightly, 2013). This is complicated by the wider availability of 4% LIHTCs available through tax-exempt housing bonds, which I will not explore here.

active work in the making and maintenance of relations. This is very clear in the case of capital for revitalization. Revitalization has come to mean the return of capital to areas where it is not being invested otherwise, and much work goes into creating incentives for investment and guiding the effects of that investment. Examining the making of a flow of capital into disinvested neighborhoods helps us to see how revitalization has been guided in a particular direction and what the leverage points might be for making a different kind of revitalization.

In this section I describe the creation of a flow of capital into revitalization based on a tightening relationship between the financial industry and affordable housing due to LIHTCs and the Community Reinvestment Act. This has made investing in LIHTC projects in New York City a “slam-dunk” for banks, as one banker told me. And as LIHTC-funded development has been proven viable and potentially profitable thanks to the work of non-profit developers and this flow of capital, for-profit affordable housing developers entered the scene.

This flow of capital arose out of activists’ and policymakers’ success in connecting revitalization to sources of capital by making it a site of accumulation for investors and for-profit developers and syndicators, though a very regulated one. Working together, the 1977 Community Reinvestment Act (CRA) and LIHTCs have been essential to the systematization of flows of capital into affordable housing development, and thus revitalization. As CRA enforcement became more consistent and systematic in the 1990s, LIHTCs became banks’ tool of choice for complying. This has provided a steady flow of capital into revitalization, especially in New York City with its concentration of financial institutions. But it has also tightened connections between revitalization and the financial sector, making revitalization subject to boom and bust cycles, linking it to market forces, and further alienating it from community movements.

## **Early LIHTC in NYC**

LIHTCs were first used in New York City in 1988, shortly after their creation in the Tax Reform Act of 1986. The tax credit syndicators Enterprise Community Partners and Local Initiatives Support Corporation (LISC) were instrumental in the creation of the LIHTC and in its institutionalization in New York.<sup>54</sup> Syndicators are the crux of making LIHTCs work. They are the bridge between investors and developers and must know the dynamics of each intimately. They were essential to the development of LIHTCs as a stable and lucrative source of financing for affordable housing and revitalization and continue to be essential to the everyday workings of LIHTC-funded development. As specialists in LIHTC and organizations committed to the return of capital into disinvested neighborhoods, they have been instrumental in building and systematizing the relationships that have made capital “flow” into revitalization.

Syndicators tend to have a particular perspective on revitalization. Syndicators are at the center of what I call “responsible capital,” or “do-good capital.” They exist to funnel capital into affordable housing, and in New York City this means funneling capital into disinvested neighborhoods (because the City has concentrated LIHTC development on City-owned *in rem*

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<sup>54</sup> Before the creation of LIHTC, Enterprise and LISC supported affordable housing development by syndicating the tax benefits of accelerated depreciation, which was eliminated in the 1986 Tax Reform Act.

properties via the Ten Year Plan). On the one hand, syndicators must understand development in disinvested neighborhoods, and Enterprise and LISC are dedicated to supporting local, non-profit CDCs. In this they aggregate the needs of places where conventional real estate markets are weak. On the other hand, syndicators' approach to dealing with issues of disinvestment is to bring in a different kind of capital, "responsible" capital, and their survival depends on courting and satisfying investors. Ultimately, they are responsible for making sure that community revitalization projects benefit their investors.

I turn to an interview with a longtime syndicator to understand how LIHTCs were institutionalized in NYC. William (Bill) Frey's career has spanned community organizing, reinvestment activism and syndication. He has worked at the tax credit syndicator Enterprise Community Partners since they opened a New York office in 1987. Enterprise supports many non-profit, local community development organizations, and Frey spoke of the importance of getting capital into the hands of such organizations. My impression was that this is the core of his perspective on revitalization: the return of capital to distressed neighborhoods via local non-profit organizations. He also welcomed the growth of for-profit affordable housing developers and syndicators, saying they have strengthened the affordable housing sector, but qualified this by saying local non-profits still play an important role.

Frey began his career in 1973 at the Northwest Bronx Community and Clergy Coalition, organizing in the South Fordham neighborhood and working on the Coalition's reinvestment campaign, which included participating in the push for the passage of the Community Reinvestment Act in 1977. The Coalition's work included not only community organizing and pressure on landlords and government, but connecting responsible landlords with financing.<sup>55</sup> This is characteristic of the Coalition and the people who have worked there: a commitment to community (though this is interpreted in a variety of ways) combined with a very practical understanding of the means needed to make revitalization happen.

Frey's experience with LIHTCs began in 1987, when Enterprise Community Partners was looking for a director for their new New York office. Frey recounts that when he asked what Enterprise does, his interviewers told him that it "provides technical assistance in how to develop affordable low income housing at a decent cost." He responded that he didn't think New Yorkers wanted technical assistance from "people from Maryland." But they also said that they thought Enterprise could raise capital for affordable housing rehabilitation and development because Enterprise and its founder, developer James Rouse, had been involved in the creation of the LIHTC. Frey immediately thought this would be important in New York:

If we were able to leverage out some private dollars and actually bring it to the table to help non-profit developers for the first time have a combination of all the resources that are necessary to rehabilitate or develop a building...

According to Frey, before LIHTCs, non-profits' work required an inefficient "layering and layering and layering of lots of different grants and loans."

Enterprise (and LISC) worked with the City to use LIHTCs to provide the additional capital needed for projects that had partial government funding. Enterprise and LISC jointly created the

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<sup>55</sup> In 1982, Frey left the Coalition to work with one of these landlords, Joseph Bodak, putting together financing for projects, many of them rehabilitation of *in rem* buildings.

New York Equity Fund (NYEF) for investing in LIHTCs in New York City, and LIHTCs became part of Koch's Ten Year Plan. Frey told me the first investors in NYEF were Fannie Mae, Pfizer, American Express, and Brooklyn Union and Gas. Fannie Mae (or FNMA, the Federal National Mortgage Association) invested because as a quasi-governmental entity, its survival depended on showing Congress that it was fulfilling its mission to provide affordable housing for Americans (Sale, 2008). According to Frey, the corporations invested in LIHTCs because they were headquartered in NYC and wanted to show they were "good corporate citizens," contributing to the city. Syndicators worked to interest New York companies in LIHTCs: "the pitch at that time was you can do good by doing well or you can do well by doing good here."

These first investors got a very good return on their investment. Because LIHTCs were largely unproven at the time and it was not clear that Congress would extend the program, investors were few and were able to demand high yields, and therefore low prices on tax credits. Frey recounts that the early investors paid approximately 45¢ per \$1 of credits, giving them approximately a 20% return on their investment. The demand for LIHTCs determines their price, and this in turn determines how much equity developers get for their project.<sup>56</sup> In these early projects, demand was low because LIHTCs had not been proven, but this would soon change.

Fannie Mae, and later Freddie Mac (the Federal Home Loan Mortgage Corporation, a similar quasi-governmental entity that bought mortgages from banks), continued to invest in LIHTCs. They were soon joined by banks looking to fulfill their obligations under the CRA. And as LIHTCs became more popular with financial institutions, corporations largely stopped investing. LIHTC investment is very complex, and according to Frey, non-financial corporations did not have the necessary capacity in their financial departments to deal with them. Returns decreased as demand for LIHTCs increased, and corporate investment decreased correspondingly.

### **The evolving influence of the Community Reinvestment Act**

LIHTCs create an incentive for investors to fund affordable housing. But it is the combination of the effects of the Community Reinvestment Act and LIHTCs together that has created much higher demand for LIHTCs and a tight relationship between the financial industry and affordable housing development, and thus revitalization

The Community Reinvestment Act was passed in 1977 in an attempt to eliminate redlining and bring capital back into disinvested neighborhoods. The CRA functions by creating an obligation for federally-insured financial institutions to meet the credit needs of "entire communities," and it specifically includes low- and moderate-income neighborhoods and individuals in its definition of "entire communities" (Litan *et al.*, 2000). An institution's CRA record is taken into account by federal regulators when it applies for any number of changes, including mergers, acquisitions and branch openings. And when the CRA was passed in 1977, it was specifically intended to help fuel affordable housing programs (Litan *et al.*, 2000). Policymakers imagined the new affordable housing programs developed in the 1960s and 1970s

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<sup>56</sup> LIHTC prices are calculated as net equity paid divided by credits gained, and this does not include the benefits gained through CRA credits (United States Government Accountability Office, 2012).

that required private capital, such as project-based Section 8, as important pathways for bringing capital into devastated neighborhoods. CRA was specifically intended to encourage private investment in these programs (Litan *et al.*, 2000).

But in its first decade, CRA was not enforced vigorously or consistently. Banks were able to get sufficiently good CRA ratings by presenting plans for improving access to credit rather than showing that they had actually improved access (Fishbein, 1992; Litan *et al.*, 2000). But the CRA did give community organizations the leverage they needed to negotiate reinvestment agreements with financial institutions for particular neighborhoods (Fishbein, 1992), and CRA was enforced essentially on a “a case-by-case basis” (Reilly, 2011). The Northwest Bronx Community and Clergy Coalition made a number of such agreements, building on its experience with organizing for reinvestment and its connection with the passage of the CRA. Thus non-profit housing organizations in the northwest Bronx were able to get bank loans for redevelopment starting in the early 1980s (Reilly, 2011).

As CRA enforcement has become more specific and concrete, LIHTCs have become the tool of choice for CRA compliance. In 1989, regulators shifted from evaluating institutions’ plans and processes to their actual performance and its effects, and for the first time a merger application was denied on CRA grounds (Litan *et al.*, 2000). CRA evaluations and ratings were also made public in 1989. CRA evaluation standards were further revised in 1995, responding to criticisms that the evaluations still depended too heavily on the processes financial institutions used to meet their CRA obligations, such as outreach and marketing to local communities, rather than effects (Litan *et al.*, 2000). One of the revisions was the creation of explicit tests of banks’ community development activities in their lending, investments, and services. Purchases of LIHTCs fulfill the community development investment test, and construction lending to LIHTC projects fulfill the lending test. Finally, the 1999 Financial Modernization Act, which repealed the Glass-Steagall Act, required that a financial institution have a “satisfactory” CRA rating to engage in the expanded activities allowed under the new law, creating a further incentive for banks to make CRA-approved investments.

As CRA became systematized, banks’ attempts to comply also became more systematized — with LIHTCs at the heart of most banks’ strategies. This systematization expanded the impact of CRA beyond areas with strong local organizations able to use CRA to force local banks to reinvest.

At the same time that CRA enforcement was becoming more stringent, banks were expanding and merging, creating more need for CRA points. And because New York City is a center of the financial industry, banks with a major presence in the city have a nearly insatiable appetite for lending and investments that will give them CRA points. CRA obligations are determined by the amount of deposits a bank takes in in an area, and the substantial deposits of New York residents are augmented by deposits from the rest of the country and the world.

The scale and efficiency of LIHTC investment were essential to their popularity with financial institutions. Bill Frey of Enterprise recounted that banks started investing in LIHTCs on a major scale in New York City in 1989, once LIHTC had been proved functional and capable of generating acceptable returns. But he emphasized that the most important characteristic of LIHTC was that banks could gain CRA points quickly and at the necessary scale. LIHTC syndicators’ funds were a much more efficient way of doing this than investing in individual

projects, and syndicators took care of vetting projects, technical assistance to developers, asset management, and monitoring compliance. Because LIHTCs were a federal program, their validity for CRA was unquestioned. And while LIHTC investment is very complex, banks had the necessary financial and real estate expertise to manage these investments. Lisa Deller, who has worked at the syndicator NEF (a part of LISC) for many years, told me that NYEF was a “great vehicle” for banks to fulfill their CRA obligations, “because Citibank would just say we need these many credits, go and invest it in NYEF.” And the banks (and syndicators) benefited from the steady, regulated profitability of the projects. Deller described the NYEF as “a really good investment,” stable and healthy for both the organization and investors.

But Frey noted that the larger scale of investment demanded by banks is not necessarily what neighborhoods need; “some of the most impactful things that happen in these communities may not require a \$5 million investment, but a \$300,000 kind of loan.” It is difficult to get banks “to do the smaller, more innovative, more impactful things because they’re set up in ways that are cumbersome and doesn’t allow for them to do that,” and because they prefer established programs like LIHTC or Section 8.

The magnitude of the effect of CRA on LIHTC investment is clear when we look at the uneven geography of LIHTC investment on a national scale. Projects in “CRA-hot” areas like New York City receive much more capital in exchange for tax credits than projects in rural areas and parts of the country that are not centers of the financial industry.

I encountered the issue of CRA influence on LIHTC development at AHF Live!, a national conference sponsored by the magazine Affordable Housing Finance in 2010 in Chicago. A banker from Citi told conference attendees that Citi’s LIHTC investments are driven by CRA, as they are required to do a tremendous amount to meet their CRA obligations in their markets. But those markets are “very limited,” consisting of 65 metropolitan areas. In other areas, LIHTC investments have to appeal to the bank as profit-driven economic transactions, rather than CRA-driven transactions. A banker with PNC Bank told the audience, “there is a perception that the program works differently in different places. The program is thriving in New York, but people are still having trouble making deals work in the Midwest,” and this makes it less popular politically. The disparity between CRA-hot and CRA-poor areas was especially clear in the wake of the economic meltdown. The few investors that invested nationally (notably Fannie Mae and Freddie Mac, see section on the economic crisis below) withdrew from the market, leading to a very sharp drop in LIHTC prices in CRA-poor areas. CRA-hot areas experienced a drop, as well, but recovered much more quickly as CRA-driven investors returned to the market.

### **Side-by-side CRA lending and extractive refinancing**

John Reilly, another alum of the Northwest Bronx Community and Clergy Coalition, emphasized a different aspect of CRA in the evolution of affordable housing financing. For Reilly, CRA was part of a contrast between regulated capital and more exploitative, extractive uses of capital and their effects on tenants in the Bronx.

Reilly is the executive director of the Fordham Bedford Housing Corporation (Fordham Bedford) and has been at Fordham Bedford since 1980, when they hired their first staff. Before that he had been an organizer with the Northwest Bronx Community and Clergy Coalition after graduating from college in the Bronx in 1975. Fordham Bedford is known in affordable housing

circles in New York as one of the most competent community-based affordable housing developers. Fordham Bedford arose out of the organizing activities of the Coalition, when tenants of City-owned buildings in the Fordham and Bedford neighborhoods in the central west and northwest Bronx<sup>57</sup> wanted a mechanism to help them own their own buildings and bring in reinvestment money (Reilly 2011).

In the 1980s, there were two avenues for financing redevelopment in the northwest Bronx (Mitchell, 2011). A CDC affiliated with the Coalition could access financing through the Coalition's reinvestment agreements with banks and insurance companies, or they could work through City programs such as the Community Management Program (see chapter 3). Reilly told me that the Coalition's agreements with banks and the Aetna insurance company led to the financing for Fordham Bedford's projects in the early 1980s, and many of their early projects were funded through HPD's Participation Loan Program, where low-interest City money was blended with loans from banks.<sup>58</sup> Over time, City money became more important in the financing for Fordham Bedford's projects, and the private money involved increasingly came through LIHTCs.

But at the same time that Fordham Bedford was practicing community-based revitalization using these various financing tools, property values in the northwest Bronx had gone up enough that conventional lending and speculation had returned. Because the west Bronx, and especially the northwest Bronx, are more prone to speculative activity than the South Bronx, Fordham Bedford and the other members of the Northwest Bronx Community and Clergy Coalition have had to deal with both disinvestment and speculative reinvestment.<sup>59</sup> Reilly recounts that buildings in the area were worth essentially nothing in 1980, but that by the late 1980s they were overvalued, and often had heavy debt burdens. Banks were willing to make conventional mortgages to private landlords not involve in any subsidy or incentive program, and Reilly told me that some buildings became "speculative pass-throughs." Some of these buildings were refinanced six times over the course of a decade, and often little of that money was reinvested into the buildings.<sup>60</sup>

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<sup>57</sup> Fordham Road is often seen as the boundary between the South Bronx and the north Bronx, so the Fordham neighborhood is literally right on the line between the two regions. The northwest Bronx includes the area north of Fordham Road and west of the Bronx Zoo and the New York Botanical Garden, excluding Riverdale, the more affluent neighborhood to the west. It is given some coherence by the activities of the Northwest Bronx Community and Clergy Coalition. See chapter 1 for more on the geography of the Bronx.

<sup>58</sup> Reilly recounts that for Fordham Bedford's first two projects, a large New York bank (Manufacturers Hanover, now part of J.P. Morgan Chase) provided the construction financing and Aetna insurance provided the permanent financing. The tenants also had Section 8 rental subsidies, which allowed them to charge enough rent to cover the cost of the financing.

<sup>59</sup> This difference is because there was less landlord abandonment in the 1970s and 1980s. This means more buildings are owned privately and do not have the affordability restrictions imposed by City, state, and federal housing subsidy programs. The area is also not quite as stigmatized as the South Bronx and is thus seen as a better potential investment and candidate for future gentrification.

<sup>60</sup> As property values rose, an owner could refinance his or her mortgage based on the new value



This was further exacerbated in the late 1980s when Freddie Mac began buying mortgages in the northwest Bronx, creating a secondary market. This led to severe overvaluations and overfinancing to the point where the debt service could not be paid out of the rent roll, and many in the Coalition began to worry about a new wave of landlord abandonment (Groarke, 2002). Ironically, often the same financial institutions that invested in rehabilitating abandoned buildings to fulfill their CRA requirements also provided refinancing to Bronx slumlords.

By expanding the frame beyond affordable housing, we can see that CRA-driven community development investment exists side-by-side in neighborhoods with lending that helps owners to extract value from tenants and buildings, and these are often provided by the same financial institutions.<sup>61</sup> Reilly's account of this shift in financing shows that as CRA-driven investment has become more systematized, community organizations' ability to influence reinvestment directly has decreased, though it expanded the effects of the CRA beyond areas that had strong local groups able to pressure banks into agreements.

### **Relationships and risk in CRA-driven LIHTC investment**

LIHTCs command exceptionally high prices in New York City not only because of banks' CRA needs but because LIHTC projects in New York are very low risk. This is due to the work of syndicators, the support of HPD,<sup>62</sup> and the extremely tight housing market in the city. The effect of the work of syndicators is not confined to New York, but the other two factors are unique to the city. Together, these make LIHTC-funded affordable housing quite a low-risk investment, especially compared to other investment possibilities in poor neighborhoods (or at least compared to how banks have typically perceived opportunities in poor neighborhoods).

From a bankers' perspective, New York City LIHTC projects are great investments. Karen Flynn<sup>63</sup> from the community development arm of J.P. Morgan Chase told me that investing in LIHTC projects in New York City is a "slam dunk" for the bank, unlike in other cities with population loss and high unemployment. Her department evaluates syndicators' funds and individual deals carefully in order to underwrite them well, but they are unlikely to reject a project entirely. If a project has been awarded tax credits by HPD and made it into a fund with an

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of the building. The difference between the old and new mortgages was a simple payout, and owners could simply cash in rather than putting the money back into the building. This was a continuation of a longtime practice among some Bronx owners. (See Stevenson [1979] for an account of the impact of such financial shenanigans in the 1970s.

<sup>61</sup> The relationship between extractive investment, often predicated on expectations of gentrification, and affordable housing is a topic I intend to explore more fully in the future.

<sup>62</sup> HPD institutionalized LIHTCs through the Ten Year Plan and provided the first mortgage at extremely low interest for LIHTC projects in the Plan.

<sup>63</sup> A pseudonym. Bankers were more difficult for me to access than syndicators or developers. Many syndicators and affordable housing developers see themselves as advancing the cause of revitalization, so they were interested in contributing their knowledge and perspective to my project. Both syndicators and developers hold events that are accessible to the public where I could observe practices and meet people. But bankers tend to be more removed, and they are courted for relationships rather than courting. They are also more likely to be concerned about liability and anonymity (all the bankers I spoke with would only speak off the record).

experienced syndicator, she felt that it was basically guaranteed to be a viable project. Her bank will even make exceptions to their usual LIHTC investment guidelines for New York projects because the housing market is so strong and their CRA needs are so great.<sup>64</sup>

In addition, banks try to leverage their position as an equity investor in LIHTCs to get developers to use them for the construction lending on the LIHTC projects they invest in.<sup>65</sup> They need to make loans in low-income areas to meet the CRA lending test. A banker with Citi told AHF Live attendees in 2010, “in New York I need to do a billion 8 [dollars] in lending, and I need to do 209 million [dollars] in equity. And if I give away the equity without getting some debt, I won’t be able to do enough debt.”

Matthew Witherspoon,<sup>66</sup> who has worked on both a citywide and national level with the syndicator Enterprise, brought up the distinctiveness of the New York City market. He made clear the impact of the fact that in New York City demand for affordable housing is so great that projects are guaranteed tenants. Even if a project gets into trouble due to mismanagement, because the housing market is so tight that tenants are more likely to stay than move. This means that projects maintain occupancy and cash flow even when there are problems. Furthermore, this means that a concentration of LIHTC properties in one neighborhood renting to 60% AMI will not have a problem finding tenants, unlike in other cities. Finally, this means that when Enterprise is underwriting a project in New York City, they generally do not have to worry that it will not achieve its targeted occupancy rate.

Syndicators not only act as a bridge between developers and investors, supporting developers and transmitting investors’ preferences to them. They also protect investors from risk. The relationships between her bank and syndicators were a central part of my conversation with Flynn about how LIHTCs work. She told me that from the bank’s perspective, syndicators “funnel” relationships. Most of her bank’s LIHTC investing is done through syndicators; they do very little direct investing in LIHTC projects. Each year the bank tells the eight to ten syndicators with whom they work how many credits they want and an idea of the yields (and pricing) they want. The syndicators establish the deals and then bring them to the bank. Her LIHTC unit is known for doing more hands-on evaluation of deals; they have real estate professionals on staff, and when they make a site visit they will evaluate a project’s structural stability as well as the finances of the development team. But, according to Flynn, the bank does not have to spend too much effort ascertaining the regulatory status and compliance of a project; developers and syndicators generally deal with any regulatory questions.

Syndicators evaluate projects before putting them into a fund and continue to monitor them for 15 years, after which investors no longer receive tax benefits (and are no longer at risk of not

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<sup>64</sup> Flynn told me that the bank meets the CRA investing test by investing mainly in LIHTCs, as well as some New Markets Tax Credits. They meet the CRA lending test by doing construction lending for LIHTC and New Markets Tax Credits projects, as well as other lending to non-profits involved in community development.

<sup>65</sup> Because there is greater risk that a project will have problems during construction, generally developers will get a construction loan at a higher rate that they pay off with the permanent mortgage after construction is completed.

<sup>66</sup> A pseudonym.

receiving those benefits due to a problem with a project). Matthew Witherspoon listed what Enterprise looks at to ensure that the tax credits will reach the investor: how likely the developer is to stay on schedule so that the tax credits will be delivered on time; the developer and the development team's financial position and competence; the property manager's experience with similar projects; and if the tenant selection process will be effective in recruiting and documenting enough tenants in compliance with LIHTC regulations. Witherspoon told me that it is the syndicator's responsibility to ensure that "the fund operates and performs," and that ongoing asset management is essential to that. Every year through the 15<sup>th</sup> year of each project, an Enterprise team visits the offices of each of the developers they work with, examines their files and visits their buildings. Syndicators, especially Enterprise and LISC, will step in to help a developer if there are problems, or even take over management of the housing if the problems are severe enough.

In sum, LIHTCs have become a surefire way for banks to make low-risk investments that are guaranteed to garner CRA points. The popularity of LIHTCs among CRA-driven institutions has led to investors competing for the credits, driving down yields and thus raising the effective prices of tax credits. Due to the continuing investment of Fannie Mae, Freddie Mac, and New York banks, LIHTCs in New York City were generally priced at at least 90¢ per \$1 of credits, and often \$1 per \$1. During the boom of the 2000s, LIHTC prices went above \$1 for \$1 of credits. The higher the price of LIHTCs, the more equity developers receive from their sale, making affordable housing development easier and more lucrative.

### **The rise of for-profit affordable housing developers**

The growing stability of the LIHTC program and the development of LIHTC infrastructure in New York not only led to increasing investment by CRA-motivated financial institutions, it led to the rise of a for-profit affordable housing industry. Like the creation of a flow of capital into affordable housing and revitalization, the involvement of the private sector in LIHTC-funded development was the result of intentional work to create a system that would be attractive and efficient. As is true more generally in revitalization, non-profits and the state led the way, coming up with new ways to redevelop neighborhoods. Local non-profit organizations committed to redeveloping their particular neighborhood took the risk of being the first to rebuild in areas abandoned by for-profit landlords and developers. Non-profit syndicators Enterprise and LISC found ways to support local non-profits and satisfy LIHTC investors. HPD provided additional subsidies and low-interest loans to support the use of LIHTCs. As LIHTCs were proven, the private sector began to enter the field.<sup>67</sup>

Bill Frey of Enterprise marks the year 2000 as a moment of transition: there has been "more for-profit participation in the last decade than... the first decade and a half" of LIHTC-funded development. Frey relates the rise of for-profit affordable housing developers to non-profits' successful revitalization of neighborhoods. He told me that for the first seven to eight years of

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<sup>67</sup> Private sector involvement in revitalization was not new. The New York City Housing Partnership and the Private Ownership and Management Program in the 1980s, the Neighborhood Entrepreneurs Program in the 1990s, and other City programs all subsidized and encouraged private sector involvement in the redevelopment of City-owned buildings and lots and raised somewhat similar questions (see chapter 3).

LIHTC in New York, for-profit developers were skeptical and only non-profit syndicators LISC and Enterprise made the program work:

LISC and Enterprise were about the only two entities that really figured out how to do the low income housing tax credit program and the private sector thought, “oh, no one will ever...you can’t make money doing this. It doesn’t work.”

This was related to the state of the communities where LIHTC development was taking place: “these were communities that were essentially looked at by the private sector as not good communities to invest in or have their businesses in... much of the private sector was developing elsewhere.” According to Frey, because for-profit developers were absent, non-profits (supported by LISC and Enterprise) performed the development role in the poor neighborhoods where LIHTC-funded redevelopment of City-owned properties was concentrated.

Frey felt that non-profits’ success in changing communities led to the entry of for-profit players:

They really did change the physical conditions of these communities. And at a certain point they became communities which were more attractive to the private sector that saw these as places where they too could step in and become developers. That they too could utilize the tax credit program as a vehicle for them to provide extra capital here.

Frey sees the rise of for-profits largely as a good thing: “now the market has lots of players and lots of competition and it’s been very successful.”

The increasing involvement of the private sector brings attention to the changing relationships between for-profit and non-profit and between state and market, and how social movements and the state might shape these relationships. Frey seems to see non-profits, including his own, as preparing the way for the market. Frey frames Enterprise’s future work in terms of providing capital and encouraging private sector involvement in areas where markets are not currently functioning. When I asked him about Enterprise’s role going into the future, he mentioned continuing to provide capital to develop communities, making sure that investment “has some real impact for the residents that are moving into those communities.” But Enterprise will continue to look “for where the gaps in the market place [are].” While “the market has caught up and everybody knows how to do low income housing tax credits, and we’ll continue to raise capital there,” they also need to look at what else is not being addressed. Enterprise’s role is thus to fill in the gaps where markets are not working. But Frey sees the solution, ultimately, as bringing the market, the private sector to these areas: “how we can bring the market to those particular communities through another vehicle.”

Frey’s welcome of for-profit developers and syndicators is consistent with syndicators’ emphasis on the return of capital to poor neighborhoods as the key to revitalization. The expansion of the affordable housing sector to include for-profit developers, more syndicators, and more financial institutions willing to make construction loans to LIHTC projects makes more capital available (and presumably the competition among them lowers the price of capital). Frey also emphasizes that non-profits have played an important role in stabilizing communities, especially in the past.

The rise of for-profit developers can be seen as either the success of revitalization or a danger to it, depending on how revitalization is defined. If the goal of revitalization is to revive real estate markets in previously disinvested neighborhoods, the rise of for-profit developers in

competition with local non-profits is success. If revitalization is about protecting the housing of poor and working class people, weakening support for local non-profit housing organizations may be a matter for concern. Syndicators and others who are dedicated to the return of regulated capital to disinvested neighborhoods tend to land somewhere in the middle. Rising markets and for-profit interest are a sign of capital availability, and in the case of LIHTCs and affordable housing development more broadly, this capital is heavily regulated and less likely to lead to speculation, displacement, and gentrification. This perspective tends to emphasize the availability of capital more than building political power in poor communities or local self-determination.

### ***LIHTCs during boom and crisis***

The relations structured by LIHTC and CRA described above shape affordable housing and revitalization in particular ways, tying them to the health of the financial industry. This meant that the boom and bust of the first decade of the 2000s had a substantial impact on affordable housing development and the structure of the affordable housing industry.

### **Boom and revitalization**

As described at the beginning of this chapter, construction exploded in Melrose in the first decade of the 2000s. Melrose was the site of the densest development in the South Bronx because Melrose's development trajectory intersected with the boom. The 2000s, however, saw the rise of dense, urban-style development throughout the South Bronx. This building boom looked like the resurgence of the South Bronx as a diverse (meaning not entirely poor) and urban place — the success of revitalization in the eyes of many (see Berger 2005; Gregor, 2005; Neuman, 2006). Developers and City planners were confident enough in increased demand to risk building multifamily apartment buildings, rather than the lower density row houses that had been the preferred redevelopment form on many sites. People were moving back to the Bronx, reversing the depopulation of the 1970s, and it was not just poorest of the city who were moving to the Bronx; it was moderate- and middle-income households, as defined in affordable housing regulations. This gave Bronx boosters hope that the processes of economic ghettoization that they saw as the cause of disinvestment and abandonment were finally being reversed.

But the revitalization fostered by the boom of the 2000s was fundamentally shaped by its connections to the financial industry, real estate markets throughout the city, and affordable housing development. In the 2000s, affordable housing in New York and similar markets echoed the boom and bust of the rest of the real estate world. Because the affordable housing industry is heavily regulated, both its boom and its downturn were muted in comparison with the subprime single family sector. Nonetheless, the 2000s boom and bust revealed how dependent affordable housing development — and thus revitalization — was on successful capital accumulation elsewhere rather than the growth of the South Bronx economy or alleviation of poverty.

The most obvious way LIHTCs are affected by booms and busts is that there is high demand for them during booms and low demand during busts, and thus prices for LIHTCs are high

during a boom but affordable housing can be underfunded during economic downturns.<sup>68</sup> During the boom of the 2000s, all the major banks in New York City were eager to invest in affordable housing so they could claim to be responsible lending institutions under the CRA and further expand their operations in New York (and reduce their tax burden to boot). Fannie Mae and Freddie Mac also increased their LIHTC purchases, to a total of 40% of the national LIHTC market (Lawrence, 2011).

As demands for LIHTCs rose, LIHTC prices rose. And as other sectors began to look problematic in 2006-07, investors turned to LIHTCs as a safe haven. Prices went up so much that some investors were paying more than their face value, up to \$1.10 for \$1 of credits (Anonymous AHF Live! participant, 2010). According to Witherspoon at Enterprise, at the height of the boom, yields were “very low,” down to 4%. Investors were “paying for deals, and they were not getting a lot of economic benefit.” Prices crept up over time, “and then there was just an explosion of pricing that went through a dollar.” These prices reflected the competition for credits; there was “a lot of money out there, looking for deals.” Higher prices for LIHTCs meant more equity for developers, who could then do more ambitious projects.

This revitalization was connected to gentrification in other parts of the city. The boom meant that as other areas became less and less affordable, low-, moderate- and middle-income households were displaced from Manhattan, Brooklyn and Queens neighborhoods. Many newcomers came to the Bronx because they were unable to rent or buy housing in nearby upper Manhattan, especially Harlem and Washington Heights. Gentrification had a ripple effect, with displacement elsewhere leading to increased demand in the South Bronx. As the effect of gentrification expanded, slightly higher income people were willing to move to the Bronx. This increased demand, along with the efforts of Bronx boosters and planners, led to more mixed income housing being built in the South Bronx, and especially in Melrose Commons. Frey told me that for-profit developers were more interested in doing mixed income development than local non-profits, so perhaps the rise of for-profits also fostered the growth of mixed income projects.

The boom in revitalization was as much about the overall financial boom as it was about local improvement. Melrose’s particular situation meant that it became the site of the densest and most ambitious redevelopment in the South Bronx during the boom. Melrose Commons had been designated for denser development due to the work of Nos Quedamos, Borough President Ferrer, and their allies (see previous chapter). The community planning process in Melrose forced the City to support more urban, diverse development than it would have otherwise. After the planning process, Nos Quedamos had proven that the area was viable for development by getting several projects started. Development had taken off enough to prove the area but there were still many, many sites left open. Melrose is close to Manhattan and has good access to public transportation, making it a good candidate for people displaced from elsewhere.

## **Effect of the economic crisis on LIHTCs and revitalization in the Bronx**

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<sup>68</sup> Sale (2008) notes that the effects of the 2000s economic crisis on LIHTCs demonstrated clearly that “as a profit-dependent tax credit, the LIHTC’s design inherently fails to provide a countercyclical subsidy for affordable housing production” (p. 309).

Just as LIHTC functioned as a link between the financial sector and revitalization in the Bronx during the boom, LIHTCs amplified the effects of the following crisis on revitalization. The crisis hit the affordable housing industry hard in 2007-2008, when Fannie Mae and Freddie Mac reduced and then stopped their LIHTC purchases due to financial troubles caused by their heavy involvement in the subprime sector (Sale, 2008). Because Fannie and Freddie had accounted for almost 40% of the LIHTC market, their withdrawal led to a 10% drop in LIHTC prices (Sale, 2008). Banks motivated by CRA had low revenues and reduced their LIHTC investments.

This had three immediate effects. Syndicators had a harder time finding investors for their funds. Developers received much less equity than they had expected from the sale of their LIHTCs. Finally, the remaining investors in LIHTCs were able to demand much higher yields and lower prices for LIHTCs. Matthew Witherspoon of Enterprise said that with the exit of many investors, the remaining investors were “demanding to get higher yields, and yields go up to sixes and sevens, eights and nines, up to ten.” Prices fall inversely, “so they’re down from being a dollar, or close to a dollar — 90¢ — in pretty much every market... to pricing being around 70¢ to 75¢ or less.” This was true even in New York City, “for a minute,” but prices soon rose in NYC as CRA-motivated banks recovered.

### **New investors, new relationships**

With Fannie Mae and Freddie Mac completely out of the LIHTC market and many financial institutions reducing their investments, syndicators had to hustle for new investors. Because of this shortage of capital, LIHTC investors were able to demand much more scrutiny of deals and accountability from syndicators.

Lisa Deller at LISC<sup>69</sup> told me that in 2007-2008, everything “was turned upside down. And everyone had to go out and kinda pound the pavement looking for new investors.” But this could be a slow and difficult process. As someone with the national syndicator Boston Capital told an audience of LIHTC developers and syndicators at AHF Live in 2010, “the process of acquiring a new investor relationship is a long, lengthy process” that may take two years. New investors might not have the necessary real estate people on their staff, so it takes time for them to understand LIHTCs and build the necessary capacity. During the crisis when yields were exceptionally high, economic investors — investors interested solely in the tax benefits rather than CRA points — were briefly interested in LIHTCs, reminding Witherspoon of Enterprise of the early days of LIHTC.

With capital hard to come by, investors began to demand more accountability and scrutiny of deals from syndicators, and this impacted the structures and relationships of syndication. Lisa Deller recounted that LISC’s funds shifted from multi-investor to single investor. The New York Equity Fund, the joint fund created by LISC and Enterprise in 1987, had been a multi-investor fund, pooling investments from investors like Fannie Mae, Freddie Mac and the big banks. But in 2009, when NYEF had its last round, Goldman Sachs was the only investor in the fund, and as of our 2010 conversation, many of LISC’s funds were single investor. Goldman Sachs also

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<sup>69</sup> She actually works for the National Equity Fund (NEF), LISC’s syndication subsidiary, but to avoid confusion with NYEF I simply use LISC.

wanted a different kind of interaction with LISC: more scrutiny, more dialogue, more information and more accountability.

Matthew Witherspoon at Enterprise tells a similar story. Before 2006, they were able to raise the capital needed for multi-investor funds “pretty easily,” and then “fit deals into it.” Fitting deals into a fund meant underwriting them to “make sure you had the yield expectations of the investor, make sure they were in the right locations for the investor if they were doing it for CRA purposes, because most of them are CRA-driven.” He describes the life of a tax credit deal for a syndicator pre-crisis as, “you find it, you find an investor who’s interested in it, you underwrite that deal, everybody gets comfortable, you close on that deal, and it moves from originating and underwriting to asset management.”

Witherspoon recounts that post-crisis, investors have been scrutinizing deals much more directly. Some investors already required that 25% of the deals in a fund be reviewed by a third party before they would agree to invest, and that increased to 50% and possibly more. The third party would review deals to make sure they met the investor’s parameters, and syndicators “had to learn what those parameters were, and make sure we could get deals to get into that box, at least enough deals” to fill a fund. A few investors even “have their own whole set of underwriters that come in and do the same thing that we do.”

### **Consolidation of the industry**

Investors used their newfound leverage to demand less risk in their LIHTC investments. This led to a consolidation in the affordable housing industry, as well as a temporary contraction in affordable housing development immediately after the crisis.

I heard about this at the national level at the national conference of Affordable Housing Financing magazine in 2010. A representative of a national bank reminded the audience that the affordable housing industry is new compared to most of the real estate industry. He said that the post-crisis instability was “the first big hiccup for the LIHTC world,” and that this kind of thing is typical of growth patterns in real estate. Like in traditional real estate, people in affordable housing “are having to set up more mature organizations.”

More “mature” organizations meant experienced developers able to deliver projects on time without problems. A for-profit affordable housing developer from the Midwest who is something of a pundit within the industry said that he’d “never seen this much focus on the sponsor [developer].” During the boom, “everyone just looked at the deal, pushed a lot of stuff out.” But now developers undergo much more scrutiny:

You have to present yourself as a viable sponsor to both debt and equity. Equity wants to make sure you’re for real and have staying power. These deals take a long time. If don’t have a lot of experience, you may want to partner with someone who does. You’ll have to give up some [developer] fee, or agree to do several deals with a more experienced partner.

A for-profit affordable housing developer active in Georgia, Florida, and Texas told AHF Live attendees that “today’s credit environment is a difficult row to hoe,” and to succeed you “need a good track record, to finish on time and under budget, and your properties perform as predicted.” A representative of another large bank said that they’re looking for developers “who are experts in what they do” and who have “executed a successful track record over time.”



One of the few non-profit developers at the conference said that non-profits too need to show that they are low risk, “like a real estate business,” not just that they benefit communities. Many non-profits, according to him, haven’t paid attention to their balance sheets. Now they need to make guarantees “that are real, based on cash, liquidity, not their relationships in the community.”

### **CDCs threatened by industry consolidation**

Pressures from investors led to consolidation in the affordable housing sector in New York City as well, despite the fact that LIHTC investment did not drop as much as in other parts of the country. Local non-profit CDCs were especially affected.

Investors, and thus syndicators, generally want larger, better-capitalized developers with more experience in the wake of the crisis. Matthew Witherspoon of Enterprise told me that they are working with smaller organizations less because they are less likely to be able to weather problems:

Because of the requirements of investors, and our concerns that the organizations be able to sustain their deals when challenges come up, and that they have the scale at the organizational level to be able to do that, and the expertise.

Investors leaned toward organizations that were “better capitalized and had stronger track records.” And because capital was scarce, investors could pick and choose.

According to Witherspoon, the risks of affordable housing had changed post-crisis, and as a syndicator they need to make sure not only that investors are satisfied initially but also that projects generate the returns expected and stay affordable for residents:

The big concern, I think, for investors and for us as a syndicator, and for the industry overall, was we didn’t know how everyone was going to fare with the recession. At the end of the day, for an investor, they want to get the returns they expect out of the project. For us as a syndicator, we need to make sure the project can deliver those returns, and that the organization standing behind it and sponsoring it can keep it in compliance, and manage it with a minimal level of our support after we’ve made the investment and the asset management. And then ultimately from a mission standpoint, we want to make sure that the housing we’re providing is sustainable for the long term.

This pressure to reduce risk is pushing revitalization toward echoing patterns of conventional real estate investment and disinvestment, rather than working against them. According to Lisa Deller, it is now harder to do projects in “tough” neighborhoods. In her opinion, LISC “sort of had a reputation for doing some of the hardest to do deals. You know, difficult deals in tough communities.” But now, “there is more emphasis on the safety of the deal.” She sees investors’ emphasis on safety as justified, or at least as their right.

The tightening of the industry is hitting CDCs especially hard, especially smaller, less business-savvy organizations. Deller listed a multitude of ways the economic crisis impacted CDCs, especially weaker ones, and linked this to problematic tendencies in the CDC movement. According to her, many CDCs have relied too much on “real estate development as a line of business.” CDCs that had depended too much on developer fees to fund themselves found that their income was not diversified enough as they felt the impact of the crisis. Developer fees dried up, and they faced shortfalls in revenue. CDCs that have not managed their properties well are

now suffering additional scrutiny. This is compounded by cutbacks in state contracts and late payments, and foundations cutting back as well. Foundations will give to groups they already have a relationship with — she gave Fordham Bedford as an example of a strong organization with good relationships with foundations — but they are not going to give to unknowns.

This means that neighborhoods that have been proven safe — like Melrose — receive reinvestment, and areas that have not been are less likely to gain access to resources. Many of these dynamics are similar to effects on small businesses during a boom and a crisis. During a boom, when there is a lot of capital looking for an outlet, there are opportunities for expansion and new players. During a crisis, there is consolidation, and only the strongest businesses survive. Due to their increasing integration into market dynamics, CDCs are now subject to the same cyclical tensions as the players they originally emerged to replace. This is a cost of linking financing for revitalization more tightly with conventional market forces.

### ***The influence of LIHTCs on revitalization***

Since the 1970s, revitalization efforts have had the problem of how to compensate for the problems wrought by real estate markets at the same time as finding ways to direct capital and resources into devastated neighborhoods. When capital and the state were uninvolved or weak in the 1970s, community-based movements had the room for maneuver to create alternatives to market mechanisms for housing, de-alienating some South Bronx residents from their housing (see chapter 2). But over time markets have been reconstituted, the private sector has returned, and revitalization has become increasingly tied to market forces. This has brought many more resources to the revitalization of neighborhoods. But it has also meant that revitalization has been more alienated from community movements and the control of ordinary Bronxites.

The relationship between local CDCs and the communities they are based in is one site of this alienation. Progressive academics have critiqued the evolution of the community development movement toward professionalism and relationships with the state and capital, and away from relationships with and accountability to their communities (Stoecker 1997). The argument is that CDCs had been essentially co-opted by working with the state and capital to redevelop poor neighborhoods. Newman and Lake (2006), DeFilippis, Fisher, and Shragge (2006) and many others have situated the contradictions and problems of community development in the context of neoliberalism.

The structures of LIHTCs constrain what CDCs can do in their communities, and the demands of using LIHTCs can shift a CDC's focus away from its community. CDCs must develop the capacity to meet the many demands of both the LIHTC program and investors, on top of the need for a good relationship with HPD. In the affordable housing industry, managing the complex, overlapping requirements of various subsidy and loan programs is called “brain damage.” “Doing the brain damage” takes considerable skill, education, experience, and assistance (and thus relationships). Developers must also assemble a development team that includes a property manager who can manage the extensive process of finding and vetting tenants to be sure that they meet the requirements of LIHTC. They must develop a relationship with a syndicator. They must demonstrate enough experience and capacity that investors are comfortable with their inclusion in a syndicator's fund, and they must respond to investors' preferences as transmitted by the syndicator. As Stoecker (1997) noted, the growing complexity

of community development work has meant that CDCs must depend more on staff and professional relationships rather than community organizing. It also means that CDCs are accountable to syndicators and other funders, and this accountability can further pull them away from the needs of local residents.

CDCs are certainly not the only site of this alienation. Revitalization is further alienated from community at the organizational level as for-profit (and larger non-profit) developers who are not at all based in particular communities have come to play a larger role in redevelopment.

Jim Mitchell, one of the first organizers with the Northwest Bronx Community and Clergy Coalition, who went on to lead BUILD, a non-profit developer in the northwest Bronx, saw the growing relationship between investors and affordable housing as a shift in revitalization toward the needs of investors. He framed this in terms of the practices of syndicators:

I think what happened with the change with the tax credit scene, the arrival of national investors in local properties, was that... what they were really concerned about was long term viability. That's what people like Enterprise and NEF [LISC] focused on. We were not their clients. Their clients were their investors. [laughing] You know... they're very friendly, they come up to us and say we want work with you, all positive, we'll help you, we're here to help you. But they really don't represent the community. They really represent the investors.

LISC and Enterprise focus on community development and have close relationships with CDCs. It was the work of these syndicators that enabled CDCs to tap into the capital made available by LIHTCs and the CRA. But as the previous sections have shown, syndicators are ultimately more accountable to their investors and are less accountable to CDCs and local communities. In the process of giving CDCs access to capital, syndicators also acted to discipline CDCs to make investment more profitable and reliable for their investors.

This lack of local power, this turn away from local self-determination, has ramifications for how revitalization is done. John Reilly of Fordham Bedford made a distinction between a community developing itself and being developed:

There's a big difference between a community developing itself from within and this momentum that built up because there's a lot of money being made... there's a difference between community policing and policing a community. And the same with community development... they say, "oh it's better than what was there before." But it could be done differently and there's no input on that at all.

Reilly is referring to older models of relating to community in both revitalization and policing. As the Bronx has become more integrated into the city and flows of capital, local self-determination and community as a focus on benefiting local residents have become more difficult.

### **Why affordable housing is unaffordable**

The alienation of Bronx communities from the processes of revitalization is felt in terms of who is able to access the benefits of revitalization. The financing for a project imposes very particular constraints on who will be able to live in it — and thus who will benefit from these projects. Tenants must fit a particular profile defined by income, credit score, family size, criminal background and more. Often, the incomes of South Bronx residents are *too low* to qualify for low-income housing (as low-income is defined by the LIHTC program). Exclusions can be ameliorated to some extent by developers (see next section), but developers without ties

to existing Bronx residents, or who are not held accountable by community movements, are less likely to make the effort.

Most projects use LIHTCs, and the income restrictions built into LIHTCs have become a controversy in Bronx revitalization. Over the course of my research, I heard again and again that the affordable housing being built in South Bronx and northwest Bronx neighborhoods was not actually affordable for the people already living in these communities. I heard this most often at community board meetings. Community boards are the most local form of government in New York City, and members are volunteers appointed by the Borough President.<sup>70</sup> Community boards are also the most local bodies that review revitalization projects. They generally see the improvement of their neighborhoods as their most fundamental responsibility. Many board members want to make their neighborhoods more middle class, and boards often express both a desire for less low-income housing development *and* concern that technically low-income housing is not affordable to most of the residents of their communities.

At the Oct. 27, 2010 meeting of Community Board Two (which includes the Hunts Point and Longwood neighborhoods in the southeast Bronx), board members and representatives of local politicians shared accounts of local residents applying for the new housing in their neighborhood only to find that they were not eligible, usually because they did not make enough money. This was talked about in terms of AMI, meaning area median income, a key part of how eligibility for affordable housing is calculated.

One board member asked, “How can a small community like ours begin to address this? Because salaries are not going up. We need to impact the law.” A second board member said he’d like to meet with city, state, and federal elected officials to address how the law defines affordability because:

It’s all formula-generated. And that’s how we fall between the cracks. Then gentrification will definitely be here. We can’t go with AMI because it just doesn’t make sense for the community.

A third board member tied this to the board’s responsibility to make sure development serves the community: “we have to ask ourselves if we’re really fighting for our community or if we’re just rubber stamping what comes to us.”

The definition of low-income for the LIHTC program creates the baseline for how affordable much of the redevelopment in the South Bronx can afford to be. And as many in the South Bronx

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<sup>70</sup> The Bronx is made up of twelve community districts, with districts one through six making up the South Bronx. A community board is appointed for each district by the Borough President made up of people who live, work, or have a significant interest in the district. One of the most important functions of the community boards is their role in the Uniform Land Use Review Procedure, or ULURP. Land use changes that must be reviewed by the City Planning Commission are required to go through ULURP, including disposition of City-owned land, rezonings, and amendments to Urban Renewal Plans. Because most of the redevelopment in the South Bronx involves the disposition of City-owned property, community boards review most of the revitalization efforts in their districts. The local community board can only make recommendations to the City Planning Commission. The Borough President then makes his or her recommendation to the City Planning Commission. The Commission then makes its decision, unless it is a type of decision subject to the vote of the City Council.

have observed, what is defined as low-income by the LIHTC program excludes many South Bronx residents. The definition of low-income for the LIHTC program structures if local residents will benefit from redevelopment and guides the class character of the repopulation of the South Bronx. LIHTC-funded affordable housing becomes unaffordable and inaccessible to Bronx residents through three processes: income ranges are often narrow due to a lack of additional subsidy; income ranges are intentionally biased upwards so that more people will be eligible for housing assistance; and the calculation of area median income (AMI) utterly fails to take into account the actual depth of urban inequality and its geography.

*Narrow income ranges*

For apartment-seekers, access to LIHTC-funded housing boils down to a set of income ranges publicized as part of the marketing of apartments in newly constructed buildings. Hopeful applicants can easily see if they make the required income. The table below is an example from the marketing materials for La Terraza in Melrose, in community district one, developed by Nos Quedamos, L+M Equities, Melrose Associates (MAP's development arm), and Procida Realty and Construction Corp. La Terraza was originally intended to be a mixed income building but became a fully low-income building due to the economic crisis.

**NEWLY CONSTRUCTED  
APARTMENTS  
FOR RENT IN THE BRONX**

CS Melrose Site B LLC aka La Terraza is pleased to announce that applications are now being accepted for 84 affordable housing rental apartments now under construction at 3100 Third Avenue in the Melrose Commons section of The Bronx. This building is being constructed through the Low-Income Affordable Market-Place Program (LAMP) of the New York City Housing Development Corporation, the New York State Division of Housing and Community Renewal's Homes for Working Families program (HWF), and the Low Income Rental Program (LIRP) of the New York City Department of Housing Preservation and Development. The size, rent, and targeted income distribution for the apartments are as follows:

**Occupancy Early Spring 2011**

	<b>Apartment Size</b>	<b>HH Size*</b>	<b>Monthly Rent**</b>	<b>Total Minimum Annual Income</b>	<b>Total Maximum Annual Income ***</b>
1	Studio	1	\$613	\$22,800	\$27,750
1	1 Bedroom	1	\$659	\$24,446	\$27,750
		2	\$659	\$24,446	\$31,700
1	2 Bedroom	2	\$801	\$29,383	\$31,700
		3	\$801	\$29,383	\$35,650
		4	\$801	\$29,383	\$39,600
9	Studios	1	\$715	\$26,298	\$33,300
26	1 Bedroom	1	\$770	\$28,252	\$33,300
		2	\$770	\$28,252	\$38,040
40	2 Bedroom	2	\$975	\$35,349	\$38,040
		3	\$975	\$35,349	\$42,780
		4	\$975	\$35,349	\$47,520
6	3 Bedroom	3	\$1,127	\$41,040	\$42,780
		4	\$1,127	\$41,040	\$47,520
		5	\$1,127	\$41,040	\$51,360
		6	\$1,127	\$41,040	\$55,140

\*Subject to occupancy criteria \*\*Includes gas for heat, hot water and cooking – resident pays electricity

\*\*\*Income guidelines subject to change

The income ranges for any project are defined by both the restrictions of the LIHTC program and the other subsidies that the developers receive. To receive LIHTCs, developers must rent to people making no more of 60% of area median income (AMI) and must charge them no more than 30% of their income. The maximum of an income range is generally determined by LIHTCs because LIHTCs subsidize only the initial construction of a project and not operating costs. Because operating costs are high, developers tend to charge the highest rents they can, creating a narrow band of income eligibility just below 60% AMI. To serve people who make substantially less than 60% AMI, developers must find other subsidies to further bring down their debt

burden, or tenants must have a rental subsidy such as a Section 8 voucher.<sup>71</sup> John Reilly of Fordham Bedford notes that many low-income and very low-income people “can’t afford the tax credit rents,” and his organization “can’t house them unless we can get them a subsidy.” The maximum of the eligible income range is determined by LIHTCs, but the minimum is determined by how much additional subsidies the project has and the income restrictions of those subsidies.

In 2011, the year the apartments in La Terraza were marketed, the median family income for community district one was \$24,457.<sup>72</sup> Note that only two apartments of those listed above are at or under this level. And the developers must have used subsidies beyond LIHTCs to bring income eligibility down even that much: 60% AMI for a one-person household in 2011 was \$34,380.<sup>73</sup>

#### *How income limits are calculated*

Despite the seeming transparency of the term “60% AMI,” the calculation of income limits for LIHTC eligibility is quite complex. The calculation begins with the median family income (MFI) for what is called the New York, NY HUD Metro Fair Market Rent Area (more on this geography below) calculated from data from the American Community Survey done by the Census Bureau.<sup>74</sup> 50% of metropolitan MFI is the starting point for low-income income limits. But first HUD assesses if the area has an exceptionally high cost of housing. It calculates if a two-bedroom apartment renting for 85% of the metropolitan average rent would be affordable to a hypothetical family of four making 50% of metropolitan MFI.<sup>75</sup> If the hypothetical family could not afford the apartment, the income limits are raised. The 50% MFI number is then weighted for different household sizes and multiplied by 1.2 to get the 60% AMI income limits

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<sup>71</sup> Federal Section 8 vouchers make up the difference between 30% of the tenant’s income and the actual rent charged (up to a HUD-defined maximum for the geographic area). Section 8 vouchers are a precious resource and are difficult to get, especially when federal funding for the program is reduced. Applicants cannot just sign up, they must be referred through special programs. There are 123,533 on the Housing Authority’s wait list (New York City Housing Authority, 2013). HPD, the New York City Housing Authority and the New York State Homes and Community Renewal administer Section 8 vouchers for New York City. HPD gives priority to homeless households and people living in buildings that have received financial assistance from HPD. The Housing Authority gives preference to homeless households, victims of domestic violence and participants in witness protection programs (New York City Department of Housing Preservation and Development, n.d.).

<sup>72</sup> Based on the 2009-2011 American Community Survey estimate. Available at [http://www.nyc.gov/html/dcp/pdf/census/puma\\_econ\\_09to11\\_acs.pdf](http://www.nyc.gov/html/dcp/pdf/census/puma_econ_09to11_acs.pdf)

<sup>73</sup> From HUD’s Multifamily Tax Subsidy Income Limits at <http://www.huduser.org/portal/datasets/mtsp.html>

<sup>74</sup> For the details of how income limits are calculated, consult HUD’s datasets on Multifamily Tax Subsidy Income Limits (another name for LIHTC income limits) at <http://www.huduser.org/portal/datasets/mtsp.html>

<sup>75</sup> The calculation compares 35% of the hypothetical family’s annual income to 85% of the average annualized rent of a two-bedroom apartment.

for LIHTCs.

The MFI for the New York metropolitan area for 2011 was \$64,200.<sup>76</sup> After the adjustment for the high cost of housing, the MFI used as a basis for LIHTC and other income maximums was \$81,800.<sup>77</sup> 60% of MFI — \$49,080 — is defined as the LIHTC income maximum for a four-person household. 60% MFI for a one-person household was \$34,380. These “low-income” maximums are thousands of dollars higher than median incomes in the South Bronx in 2011, which ranged from \$24,757 to \$29,196.

### *Intentionally biased upwards*

The relatively high income limits for LIHTC projects are not entirely unintentional. One of the key factors that raises LIHTC income limits above what is affordable to South Bronx residents is an adjustment for the high cost of living in New York City in the calculation of eligible incomes. This both makes housing assistance available to moderate-income households who are likely to have difficulty finding affordable housing in such an expensive market and raises rents for affordable housing so that less subsidy is needed for construction.<sup>78</sup> Funding housing for people who are truly low-income would require more subsidy and be more expensive for the government.

The adjustment of income limits to compensate for the high cost of housing assumes that the cost of housing is high enough that even not-so-low-income people find it difficult to find affordable housing, and this is certainly true in New York City. Many have noted that housing costs are so high in New York City that middle class households have difficulty finding affordable housing. This has led to pushes to raise the income limits for housing assistance, and the “middle class squeeze” was part of the 2013 mayoral race (Johnston, 2013). But because LIHTCs determine only the maximum income limit and do not automatically add subsidy for lower income people, the raising of the income limits means that lower-income people are likely to be excluded.

### *Geography*

The actual affordability of low-income housing is deeply affected by the geography of how the median income that is the basis for income eligibility is calculated. The income limits for New York City LIHTC projects are based on the median family income for the New York, NY HUD Metro Fair Market Rent Area. This includes the five boroughs and affluent suburban Westchester and Rockland counties, a geography that was defined specifically in the 1937 Housing Act (U.S. Department of Housing and Urban Development, 2011). Income varies dramatically within the city. The most affluent area of Manhattan, the Upper East Side, had an MFI of \$182,698 in 2011. The poorest community districts in the city are in the South Bronx.

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<sup>76</sup> The median family income for the New York metropolitan area that forms the basis for the 2011 income limits is based on the American Community Survey 2009 5-year median family income.

<sup>77</sup> Working backwards from HUD’s 50% MFI adjusted for the high cost of housing, which is \$49,080.

<sup>78</sup> Cummings and DiPasquale (1999) note that the higher rents created by high income limits can be “essential to the financial viability of a project.” (p. 280)



Community districts one and two, which include the Mott Haven, Melrose, Longwood and Hunts Point neighborhoods, had an MFI of \$24,457. A median that includes affluent areas of Manhattan will automatically be substantially higher than Bronx residents' incomes. Add to that the effect of including affluent Westchester and Rockland County,<sup>79</sup> and the median income used to define "low-income" is raised even higher.

The effect of this is most clear if we compare the income limits for LIHTCs with median family incomes for the South Bronx. The maximum income limits for LIHTC projects are set at 60% MFI (often known as AMI in the LIHTC world), and in 2011 60% AMI for a four-person household was \$49,080 in the New York metro area. This is far above actual median family incomes in the South Bronx in 2011, which ranged from \$24,457 to \$29,196 (see Figure 2 for a visual comparison). It is no wonder that very few people in the South Bronx can afford LIHTC-funded projects, especially ones that do not use additional subsidy to bring rents (and income ranges) down.

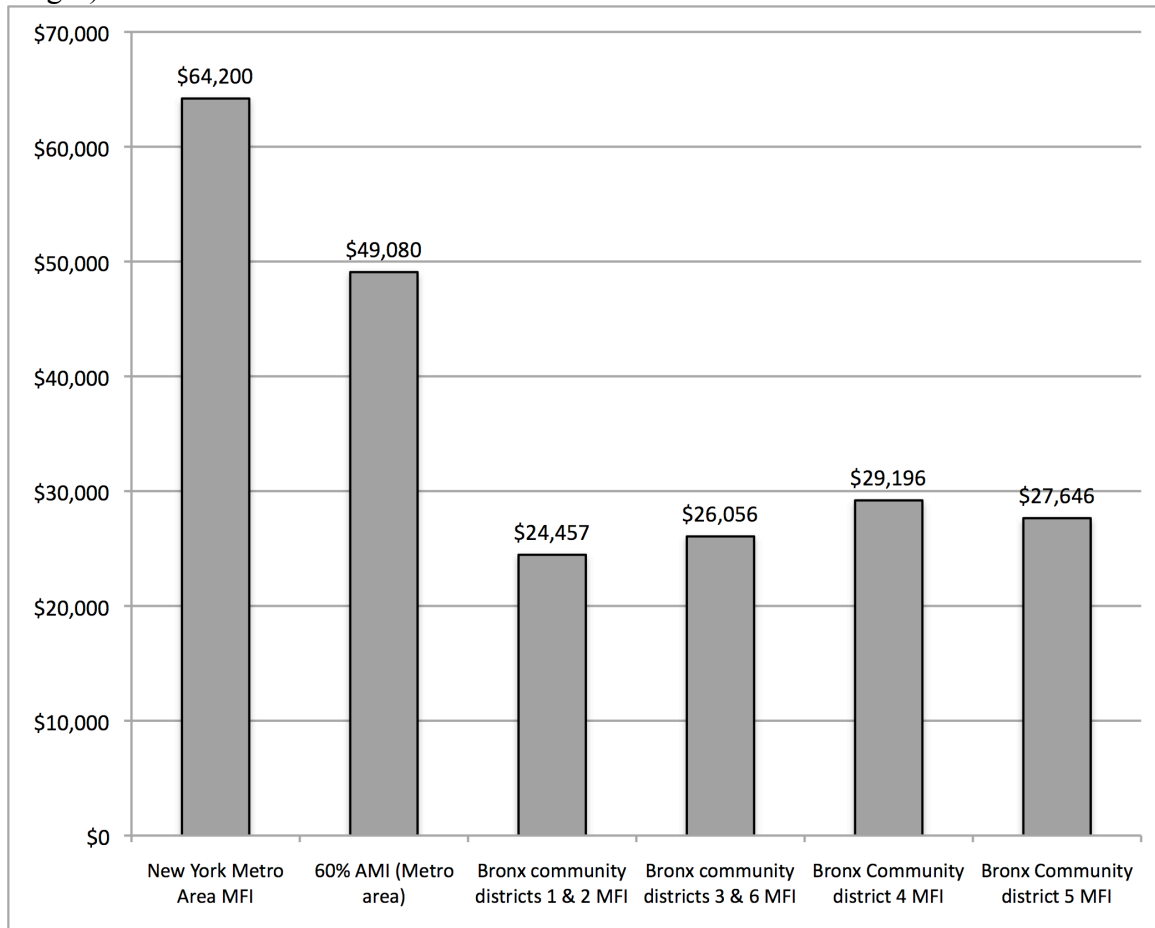


Figure 2: Comparing metropolitan area median family income, LIHTC income limit (60% AMI) and median family incomes in the South Bronx.

Because the City has used LIHTCs to fund the redevelopment of City-owned *in rem* properties abandoned in the 1970s and 1980s, LIHTC-funded projects are concentrated in poor

<sup>79</sup> Westchester County had a 2011 MFI of \$106,500 and Rockland \$101,700.

areas that experienced the most disinvestment and landlord abandonment. At first these properties were a burden the City needed to deal with, but they became an opportunity to build affordable housing. These areas have the least competition from market-rate housing. Together this means that LIHTC-funded housing is most often built in areas where it will be *unaffordable* to local residents rather than providing affordable housing in more expensive areas of the city.

This also means that despite the efforts required of them to recruit renters from the immediate neighborhood — a preference is given to residents of the community district in the lotteries that regulate access to new housing — there are few South Bronx residents who meet income eligibility rules (and there are other hurdles as well, such as credit score and a background check).

This means that LIHTC-funded projects in the South Bronx tend to serve renters from other parts of the city with incomes higher than existing residents. This leads to accusations of gentrification by some, even as others see the concentration of low-income housing as reproducing the ghettoization of the South Bronx.

### **Community organizations as a bridge between structures and community**

The structures of LIHTCs make it difficult for many South Bronx residents to benefit from revitalization, and the complexity of LIHTCs and the remove at which decisions are made make it difficult for Bronxites to contest these exclusions. But, to some extent, exclusions can be mitigated by the efforts of community organizations. The difficulty of these efforts further demonstrates the alienation of revitalization from the control of Bronx residents and institutions. Nonetheless, these interventions show how Bronxites continue to respond to and attempt to affect the processes and relations shaping revitalization. Struggles around the character and benefits of revitalization continue despite bureaucratic opacity.

To explore local organizations' efforts to make revitalization benefit existing residents, I turn once again to the story of Melrose Commons and the work of Nos Quedamos. As described in the last chapter, Nos Quedamos became a developer, a CDC, after the conclusion of the community planning process. They have been subject to the pressures described above, and DeRienzo (2008) argues that after the conclusion of the community planning process, Yolanda García led the organization to become “a typical CDC — one that was funded to deliver services and in which the leader was eventually more accountable to outside funding sources than to resident members” (p. 129). Whatever the case may be, Nos Quedamos has continued trying to make revitalization benefit existing Melrose residents.

Yolanda Gonzalez became executive director of Nos Quedamos after her mother, Yolanda García, passed away suddenly in 2005.<sup>80</sup> I asked her about Nos Quedamos' current challenges in an interview in 2010, and Gonzalez spoke of, “how our seniors can't benefit from the new type of housing that will make their lives a whole lot better. Or the people who work on minimum wage or living wage.” Certain Melrose residents are not benefiting from redevelopment because

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<sup>80</sup> Gonzalez was removed by Nos Quedamos' board in early 2011 on charges of nepotism and questionable financial practices. Her account is still useful for understanding the challenges CDCs face.

of the restrictions surrounding LIHTC-funded development: they make too little, or their credit scores are too bad. Gonzalez spoke of seniors, especially seniors raising grandchildren, who do not qualify for LIHTC-funded housing because they're on a fixed income. For her, this raises the question, "who are we really doing this for?" People who make minimum wage, or even what is called a living wage, might not make enough to qualify if there is only one earner in the household. If a living wage is \$11 or \$12/hour:

We're talking about \$24,000 or \$25,000 (per year), which doesn't qualify you for very much if you have a family of four. There ya go. And those are the regulations that really drive me insane. Is that [income] band width.

She sees Nos Quedamos' role as acting as a bridge between programs and residents. When I asked what the biggest challenges are now, and how Nos Quedamos' work had changed from the past, Gonzalez spoke of how there were still too few resources for what she sees as the essential work in the community:

No matter how much things change, they stay the same. Because we still don't have enough social service infrastructure here to sustain what's happening. The moneys are not here in order to help families or individuals especially with these economic times. To be able to support what's needed here. We work on a shoestring budget, we really do, in order to be able to help the 25,000 people who come in through our doors. If this little organization isn't here to help these families, who's going to fill in the hole or the vacancy that's here?

We discussed a host of services Nos Quedamos provides, and I came to understand that a central part of their work now is bridging the gap between the formalities of government services with the actual needs and capabilities of Melrose residents, and doing so in a holistic way:

Gonzalez: Who can do the environmental justice, who can do the housing, who can do the commercial support, who can look at things and say, wow, if we don't do it this way, all this collapses... Because we don't get enough funding to help people to fill out applications because they can't read. Or because their eyes are failing and they're weary... Who's helping our seniors fill out a simple application?... Who's here to help people with immigration problems? Who's here to help people with a whole host of stuff?

Guimond: So is it mainly connecting people who are here with the programs that exist?

Gonzalez: Yes. [emphatic]

Guimond: Just there has to be this bridge.

From Gonzalez's point of view, developers' impact on the community depends on how much they act as a bridge in this way. When I brought up the question of how much displacement or gentrification has happened in Melrose, she said that it depended on how the projects were executed and the role of the community in development:

It depends on the development and who's doing the marketing for the development, and ensuring that it's for the people who are in the community. When you don't have community participants within the project, then the community doesn't get favored as well.

By having "community participants within the project," I think she means that when community organizations — and in Melrose this would mean Nos Quedamos — are not part of the development team, the community does not get as many benefits.

She brought up a project built on one of the Melrose Commons sites, Boricua Village. "They have almost a thousand units... And they don't have that bridge in order to have assessed the community value here." "Community value" harkens back to the creation of the Melrose

Commons Urban Renewal Plan, when Melrose activists insisted that any renewal needed to be based on the strengths and needs of the existing community, rather than displacing them and starting fresh.

Gonzalez told me about how Nos Quedamos tries to bridge the gaps that make it difficult for some Melrose residents, and people like them, to benefit from the redevelopment of the area. They help people fill out the complicated application and tell them how to appeal rejections, holding workshops and serving people at their office. They make sure paper applications are available for people who do not have access to the internet. Her attitude is, “everybody’s frustrated because they can’t qualify for an apartment, but let’s find out how you can qualify for an apartment. And still meeting the [regulations] that are there.” And if someone is rejected, they will look into it, unlike other developers:

Because at least with the people who come through our doors, if they tell us, well, we didn’t get in, why, we’ll go and research it. And say, “what’s going on, and why didn’t she qualify?” And then we’ll talk to HDC<sup>81</sup> and stuff like that to see how we can get them qualified. In order to stay within the confines of their community.

But like all developers using LIHTCs, Nos Quedamos faces the challenge of making projects affordable to people making less than 60% AMI. Gonzalez told me that even with additional subsidy from other sources, it is difficult to bridge the gap between what people make and the cost of housing. At a workshop to educate people about the application process for a project under construction, Gonzalez explained to a woman frustrated that her daughter did not make enough to get into affordable housing why costs were so high and why she had little control over rents:

Gonzalez: You have to factor in real estate taxes, electricity... It’s not that we don’t want to give out rents for the \$19,000, but we don’t want the building to fall into disrepair.

Woman: Wow.

Gonzalez: You know who makes these guidelines? It’s not the developer, it’s not the management company, it’s HUD. You have to fight the government in order to do that, because they’re spending the tax dollars you’ve paid.

Developers who are committed to benefiting existing residents and poor and working class people are caught between this commitment and the financial health of their buildings.

More broadly, these challenges are due to the gap between incomes and housing costs. Subsidies close this gap to some extent, but this section has shown that they generally do not fully make up the difference between the incomes of working class and poor Bronxites and the cost of decent housing. But as housing costs have risen and incomes have remained relatively static, subsidy has become increasingly important. John Reilly of Fordham Bedford Housing Corporation in the northwest Bronx told me that when they started out, Fordham Bedford did not think they would need “the level of subsidized money that we did to renovate among these building.” But the growing gap between incomes and housing costs has changed that:

That has changed. Because the gap between what people can pay and what it costs to run their housing has grown. Now it’s not that their income hasn’t gone up at all. But I think it hasn’t kept

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<sup>81</sup> The New York City Housing Development Corporation (HDC) funds many projects alongside HPD by issuing tax-exempt bonds. It sometimes oversees the marketing and lease-up phase of projects.

pace.

Decent housing for poor and working class Bronxites — the majority of people in the Bronx — is clearly not treated as a right or an entitlement. Potential tenants must enter a lottery to even be permitted to apply for this housing. If they win the lottery, they then have to undergo incredible scrutiny, providing the property manager with copies of tax returns, their current lease, W-2 forms, six months of rent checks, banks statements, and more. If everything checks out, they will finally be awarded an apartment. Poor and working class households must jump through formidable bureaucratic hoops to gain access to the benefits of revitalization. At the same time, subsidized “low-income” housing like that financed with LIHTCs bears some of the stigma of public housing and planners and Bronx boosters work to increase the moderate- and middle-income housing built in the borough.

## Conclusion

At first glance, the revitalization of the South Bronx offers a satisfying and relatively simple arc. The South Bronx has been completely transformed from the devastated cityscape of the 1970s, a landscape that was often compared to that of Dresden after it had been bombed in World War II. And this transformation has not involved massive displacement, unlike many other urban transformations, from the urban renewal of the 1960s to the gentrification of other parts of New York City today. The revitalization of the South Bronx simply seems like a successful, although not easy, recovery from trauma.

But the true story is more complicated and more interesting. When I began my research in 2007, I heard again and again about the successes of revitalization. But as I talked to more people and went to innumerable meetings and events, I realized that the success of revitalization meant very different things to different people. I also began to hear about the defeats, the struggles that failed, and the heroes and villains of these struggles. As I grew to understand the diverse perspectives I was hearing, I began to piece together a politics of revitalization.

Most fundamentally, there *is* a politics of revitalization. The revitalization of the South Bronx has not been a straight line, a natural progression from trauma to recovery. Revitalization has been contested and contradictory. This was perhaps clearer in the 1970s and 1980s, when the institutions that have implemented revitalization were being formed. In the 1970s, tenant cooperatives and sweat equity groups, forms of revitalization that functioned by de-alienating residents from their housing, were celebrated in the press and garnered support from the city government. At the same time, the infrastructure of a moderate form of revitalization influenced by the city's neoliberal turn was coming together: subsidy programs (project-based Section 8, in the 1970s) to bring capital in, for-profit developers for their experience and efficiency, and local community groups for their commitment to the neighborhood.

Both of these strands of revitalization were included in the complex of revitalization policies, programs and institutions convened by the City in the 1980s to replace the landlord class and the banks that had abandoned the South Bronx. The more radical strand of revitalization was included because in some areas and for some buildings in bad condition, for-profit firms were simply not interested, even with subsidies. But City policymakers favored for-profit firms, and over time more moderate and neoliberal forms of revitalization have gained ground.

The Bronx-specific revitalization proposed by Bronx officials, planners and boosters in the late 1980s — led by Borough President Ferrer — had its own specific character, but it was still contradictory and contested. Ferrer and his allies articulated a model of revitalization based on a reversal of the tendency for the Bronx to be used as a regional dumping ground for unwanted people and uses. To achieve this, Ferrer's planners proposed transformative, large-scale projects to create Bronx Center, a downtown for the Bronx that was intended to remake the reputation of the Bronx and increase public and private investment, including the residential neighborhood of Melrose Commons.

Melrose residents were invisible in the original Bronx Center plan for Melrose Commons, but they soon made themselves unavoidably visible. They demanded to be included in the prosperity finally planned for their neighborhood, and they demanded a planning process that

included them. Because the Bronx revitalization coalition was internally contradictory and included planning and housing professionals committed to planning and revitalization that were truly community-based, the Melrose activists and the Bronx Center professionals were able to develop a collaborative planning process. They proposed a hybrid kind of revitalization, where residents were intended to be the basis of revitalization and benefits would accrue to them first. This revitalization was limited by the constraints of the official planning process. The Melrose activists and their allies were able to prevent involuntary displacement and ensure a more diverse redevelopment, but the broader implications of their hybrid revitalization could not be secured. This struggle for a Bronx-specific revitalization brought to the fore the question of whether existing Bronx residents would be the basis of revitalization, or if their removal would be.

Struggles around revitalization are structured by the funding mechanisms that provide the capital needed for revitalization. But those funding mechanisms themselves are constructed, and they are potentially a site of struggle. In the 1990s, the Community Reinvestment Act and the Low Income Housing Tax Credit together created a flow of capital into revitalization by forging a relationship between the financial industry and affordable housing development. The systematization of this flow of capital has contributed to the alienation of revitalization from South Bronx residents and organizations, and it has become a site of contestation.

The revitalization of the South Bronx continues, and revitalization politics continue, although the terrain has shifted. The framework and themes of my dissertation will form the basis for future research on the state of revitalization politics today. I summarize three of the main avenues below: “economic diversity” as an attempt to further improve the South Bronx and make it a “normal” neighborhood, with the implicit exclusions of normalcy; critiques that revitalization is essentially gentrification, calling attention to the exclusions of revitalization and expressing some residents’ alienation from it; and predatory equity, the newest iteration of extractive, exploitative investment in weakly regulated Bronx housing, which raises questions about the relationship between revitalization and gentrification very concretely.

### **Joining the mainstream through “economic diversity”**

There is widespread concern among South Bronx boosters, planners and middle class (or, in many cases, aspiring middle class) residents that the South Bronx has not been revitalized enough: it is still too poor, still has too much crime, and does not have enough middle class amenities. A vision where revitalization means that the South Bronx is assimilated into the political and economic mainstream of the city, rather than being the city’s dumping ground for uses and people that impede growth, is still influential among Bronx boosters and residents who see themselves as improving their neighborhoods by making them more middle class. This is similar to the vision of revitalization that led to the first Melrose Commons plan, where growth was intended to come from transformative development that would attract higher income residents — and would displace existing residents (see chapter 4). The current version of this kind of revitalization is different. It is smaller scale and piecemeal, done building by building rather than through the kind of large, transformative plan envisioned for Melrose Commons, and it does not involve direct displacement. Instead, it means advocating for mixed income housing and developing amenities that will attract more middle class residents.

The flip side of attracting more middle class residents in this assimilation model of

revitalization is the need to discourage problematic people and uses from coming to the Bronx. Potential exclusions are generally left unsaid among Bronx officials and professional planners, but in the less professional atmosphere of community boards, the exclusion of poor and problematic people is vociferously argued. Some of the most impassioned speeches I heard at community board meetings were arguments against proposed supportive housing projects and new homeless shelters.<sup>82</sup> These arguments are often framed as preventing the kind of ghettoization that, in popular understanding, caused the abandonment and devastation of the South Bronx. In one discussion at the housing committee of Community Board 4 on the Grand Concourse, the chair of the committee stated that the district needed more middle-income housing. When a committee member argued that in fact more affordable housing was needed, the chair argued:

There's a need, but there's such a large stock of low income housing here. If we want to build the economic base of the Bronx, we don't want to get — I don't think the Bronx is going to burn, but when poverty takes ahold, it comes with all sorts of problems.

Assimilating the South Bronx into the mainstream of the city implicitly involves exclusions, and in fact being a “normal” neighborhood in New York City often involves exclusions due to gentrification or other forms of accumulation by dispossession.

The term “economic diversity” is currently central to advocates of the assimilation model of revitalization. Key planners with HPD and the Bronx Borough President's office whom I spoke with are working to increase “economic diversity” in the South Bronx. They see economic diversity as necessary in order to bring very specific benefits to the Bronx and its residents: providing housing for upwardly mobile residents and bringing in the purchasing power necessary to have better retail.

Ted Weinstein, Director of Bronx Planning at HPD, sees economic diversity as simply “good public policy.” He told me in a long interview about how fostering economic diversity in the South Bronx is particularly important to him. He sees LIHTCs, the main source of funding for revitalization, as an obstacle because they will not fund housing for people making over 60% of regional area median income (even though this is higher than the incomes of most people in the South Bronx; see chapter 5). Weinstein told me that “the overwhelming majority of buildings that have been built in the South Bronx through our programs have been up to 60% of AMI.” He argued that the people who make more than 60% AMI in the South Bronx — the people who are upwardly mobile — will leave the neighborhood, the Bronx, and perhaps even the city if they cannot find good housing.

Weinstein also cites the need for better quality retail stores. Many of the community boards in the South Bronx want something besides “99¢ stores and donut shops and nail salons and cell phone stores. They want chains, national chains, they want restaurants.” Because of this:

You also want to bring in new people. Of slightly higher income. And it's not gentrification. It's increasing buying power.

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<sup>82</sup> Local improvers are generally unsuccessful in preventing homeless shelters (the city's Department of Human Services finds ways to bypass the local approvals process), but they have been more successful in preventing supportive housing projects from being built in their neighborhoods.



The corporations that would provide the desired retail make their decisions based on the demographics of the area, especially national chains. Their decisions are made “by some guy sitting in an office in Nebraska,” he told me, who looks at the median income of the relevant census tract. For South Bronx neighborhoods, he’s going to think, “they can’t afford our product.” Finally, Weinstein argues that a commitment to economic diversity is essential “because otherwise what you’re basically saying is the South Bronx is going to be low income forever.” I read this as a concern about the ghettoization of the South Bronx.

Weinstein explained to me how he tries to encourage economic diversity. His strategy has everything to do with the characteristics of particular City-owned sites, and HPD’s ability to affect what kind of development takes place on City-owned lots. They first look at a site’s marketability: its location, the quality of the buildings around it, and proximity to transportation. If a site is in the middle of a side street surrounded by older, prewar buildings, they are more likely to recommend low-income housing for the site. A more marketable site, on the other hand is:

Near transportation. It’s visible. You have the opportunity to do something architecturally that stands out, that becomes more of a showpiece. When you have those factors there, then you are convinced that people who make slightly more [will come live there]. We’re not talking luxury housing either.

He is careful to say that they do not reserve “better” sites for moderate and middle income housing, because it’s “not that low income people don’t deserve good and being close to transportation and everything else.” It is that higher income people will not move to less attractive sites:

But the reality is that you’re not going to get people who have the ability to make choices, people who have higher incomes, people who can live, who are willing to pay, someplace else. They’re less likely to move to that location.

“The reality is,” he says, that marketable sites “can attract people with higher incomes willing to pay the higher rents.”

Weinstein does not see the cultivation of economic diversity as gentrification. While he is sensitive to concerns about gentrification — he asks people to let him know if they know of any displacement going on — he does not know of any gentrification going on in the South Bronx, by his definition of gentrification. He defines gentrification as, “when people are pushed out of their homes because the market is raising the cost of the housing.” This relatively narrow definition of gentrification does not include state activities that cause displacement or support gentrification or the more experiential and cultural changes that accompany gentrification, or imply the threat of gentrification.

### **Critiques of revitalization as gentrification**

While most people directly involved in revitalization may not see it as gentrification, despite the exclusions implied by assimilation into the political and economic mainstream of the city, there are occasional critiques that revitalization efforts in the South Bronx are, in reality, gentrification. Calling a revitalization project or strategy gentrification does political work, calling attention to the exclusions involved. It also expresses the alienation of many residents from these projects and does the political work of making that alienation problematic.

One of the more dramatic accusations of gentrification I saw was when gardeners with Morning Glory Community Garden and members of Take Back the Bronx, a group of activists who took up the mantle of Occupy in the Bronx, accused HPD of gentrifying the South Bronx in the winter of 2011.<sup>83</sup> Morning Glory was a guerrilla community garden (not registered or permitted; they simply began using the land) on a large vacant lot owned by HPD that had long been slated for development but had been stalled for years. When plans for Crossroads Plaza, a mixed use and mixed income project, solidified, HPD bulldozed the garden. The gardeners had invited residents of the buildings neighboring the garden and students in the school across the street to use the garden and partake of the harvest. They saw their garden as a true community garden, and as radicals and activists, they argued that this gave them a legitimate claim to the land, or at least to some consideration.

In the conflict that ensued, the gardeners and Take Back the Bronx activists investigated the proposed development and concluded that the project would gentrify the neighborhood, not only because it involved the displacement of a truly community-based project that benefited residents, but also because much of the project would not be affordable to local residents and it would be done by a developer known for work in gentrifying neighborhoods.<sup>84</sup> Lisa Ortega, a longtime organizer around social justice issues in the Bronx and beyond, saw this as explicitly a struggle to be self-governed (the term she used), what I have been calling community self-determination and autonomy. When faced with the strategic question of how to organize in the face of the complexity of LIHTCs and affordability, she cut through the complexity and brought the focus back to the violence experienced by South Bronx residents, and how the garden was a way of achieving autonomy:

Folks, I think our thing is this — and this is cause I have a low education, I am going to always say this because I don't think [along] these lines, with the educational talk — it is because we want to be self-governed. We are poor in a poor community. We don't have food. That lot represents the fact that we can become self-sustenance, self-sustaining, however you say that. I mean, whatever they come at us with — they can have a lot of very educated reasons why — we keep it simple, man. We don't care. We are dying here.

Ortega and some of the other members of Take Back the Bronx oriented their multi-faceted struggle for social justice around self-governance, or community control.<sup>85</sup> From their perspective, revitalization alienated from the community was simply gentrification.

Nova Strachan, a lifelong resident of public housing who organizes public housing tenants for Mothers On the Move, a resident-led social justice organization, sees revitalization more generally as gentrification. I asked Strachan about the difference between renewal and gentrification (I called it renewal rather than revitalization at that moment for no particular reason), and who benefits and who is excluded from renewal. She said that public housing tenants are essentially excluded from renewal. The renewal she sees happening is about new

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<sup>83</sup> This story deserves a much fuller account, and I intend to write about it more in the future.

<sup>84</sup> Douglaston Development, known for a building called The Edge in Williamsburg, Brooklyn, an area that has undergone explosive gentrification.

<sup>85</sup> Take Back the Bronx came to focus much more on issues of police violence, racial profiling and the police department's Stop and Frisk policy, but they were also active around housing and land use issues.

housing that is meant to appeal to richer people:

The renewal that I do see is, at one point it was a whole bunch of condos going up. And that was to make it more eye appealing to folks that, you know, of richer income or richer status.

This seems to be about making the community more mixed income, which is possibly good, but tends to exclude people in public housing (and poor people not in public housing):

They want to begin to make our communities more mixed income. Which is good, but would it exclude... what it does is make folks that are not of that status, not of a higher income status, to be excluded totally. It seems we're only able to afford to live in a public housing development.

I asked Strachan if affordable housing counted as condos,<sup>86</sup> and she said it did because it's "not really affordable," and no one she knows ever seems to get in:

They're affordable, but to whom? Not to us. Not to people who's been struggling and working and living in these communities... What we have seen is that... none of the people that aspire to move out of where they're at, to a better home or better apartment, were accepted in these buildings or are living in these buildings at this time. They're still either in the shelter or still in public housing.

She and other public housing tenants are automatically excluded from the new affordable housing being built because of the income brackets served — by the definition of 60% AMI as low-income (see chapter 5). She sees the contrast between the increasingly green new housing — in line with her own green dreams — and apartments in public housing, where they have to sue the housing authority to get repairs and their appliances don't work. But there's no hope of qualifying because of the income brackets:

So, you know, you always have to think about, "dag, what if I could have been in that, you know, in that apartment? What do I have to do to be in that apartment?" And a lot of times you're shut down just by seeing how much you have to make to live in these apartments.

Revitalization is a catch-22 for public housing tenants because improvements are accompanied by increased police harassment. She told me about how the park nearest her building (and the only park in the area) closes at dusk, which in the winter is quite early. The park is the most direct way to the nearest street with stores, buses, etc. But if she walks through the park after dusk, she's likely to be stopped by the police. She sees this as symbolic of what happens with improvements:

And as far as the whole gentrification piece, you know, it's lovely to beautify communities, give us more green spaces, give us more parks, but at what cost? Could we walk through these parks?... I just throw on my coat, I'm going to the store, and now the cop is stopping me asking me what's your name? What's this? And they're looking in the database saying, 'well, I can't find you, and if I can't find you, you're going down.' Why would you take me in, and I'm [just] going to the store? I'm [just] crossing this park.

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<sup>86</sup> The language of "new condos" is a common language for talking about gentrification. Mothers On the Move was part of a campaign through the Right To the City Alliance to count "vacant condos" throughout the city and suggest that they be used to house all the people in the shelter system. In the Lower East Side, luxury condos would mean expensive market-rate housing. In the South Bronx from the perspective of public housing tenants, new condos are new affordable housing, especially the mixed income affordable housing that began to be built during the boom.

To her, it is typical for neighborhood improvement to be accompanied by increased police harassment, which makes renewal or revitalization a catch-22:

So with the gentrification and us fixing things up comes more security, comes more cops, and how they're policing us is not... how they would police other communities... We want better services in our community. We also want to be respected... as we give respect, we want respect as well. It's a lot of police harassment in our community... now that gentrification, it's a catch-22.

This is why, she says, “a lot of community organizations is fighting for their public space back. Occupy our space,” because “we want to be able to live in our community where we choose to live.”

### **Predatory equity and the question of gentrification**

In this dissertation, I have confined myself to the realm of revitalization, to the areas and processes where the dominance of market forces is uncertain and organized residents and the state take a larger role in the provision of housing. But in the same neighborhoods, alongside housing created through revitalization — tenant cooperatives, buildings owned by local non-profits, row houses built through homeownership programs, and new affordable housing funded by LIHTCs — there are also older buildings owned by for-profit landlords and regulated mainly through New York's rent regulation laws.<sup>87</sup> Rents in these buildings are much less regulated than those in more restrictive affordable housing programs, and this makes them much more vulnerable to gentrification pressures and exploitative, extractive investment. In fact, they have experienced repeated waves of destructive investment and disinvestment since the 1970s.<sup>88</sup> There is also a long history of tenant organizing in these kinds of buildings to demand repairs and resist rent increases and displacement pressures (Lawson, 1986; Jonnes, 2001). In the west Bronx, tenant organizing is anchored by the Northwest Bronx Community and Clergy Coalition and Community Action for Safe Apartments (CASA). In the rest of the South Bronx, organizing is more ad hoc. Mothers On the Move is active in its area, and the citywide Urban Homesteading Assistance Board (UHAB) is also active.

Tenants in these buildings are now facing the effects of a new form of financing and investment that activists have dubbed “predatory equity.” Predatory equity is the connection of a new source of capital with established practices of gentrification and extraction of profits from working class housing. In a predatory equity “survival guide,” housing activists defined predatory as, “ing for rich people, and flip it to new buyers for a quick profit” (Center for Urban Pedagogy, 2009). Fields (forthcoming) describes predatory equity as “a wave of aggressive private equity acquisition of affordable rental housing in New York City during the mid-2000s real estate bubble, and the subsequent collapse of many such investments” (p. 1-2). Predatory equity targets buildings with low rents and weak protection of those rents, either because they are only protected by New York's rent regulation system or because they are subject to affordability

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<sup>87</sup> Some of these buildings have undoubtedly passed through a revitalization program at some point, likely either the City's subsidized loan programs or one of the programs disposing of City-owned buildings to for-profit owners: the Private Ownership and Management Program, POMP (see chapter 3), and its successor, the Neighborhood Entrepreneurs Program.

<sup>88</sup> See Groarke (2002) for an example.

restrictions that are expiring. Weakly protected low rents set up the possibility of rent and value increases even without gentrification. Thus, predatory equity is not premised on the successful gentrification of buildings and neighborhoods, and private equity firms are buying in areas that are clearly not gentrifying.

Predatory equity began in 2005, at the height of the boom of the 2000s, when private equity firms brought their model of high-risk leveraging to the “under-valued” housing of working class areas, including the Bronx. High returns for investors, much higher than had usually been extracted from rent-regulated housing (Fields, forthcoming), were supposed to be generated by quickly reselling for a profit and/or raising rents as much as possible. During the boom, predatory equity was marked by the overleveraging of buildings and the entry of new players in working class housing markets. Competition and the easy availability of capital<sup>89</sup> drove up prices, burdening buildings with debt beyond what could be supported by existing rent revenues, and this was called overleveraging by activists and analysts (see Association of Neighborhood Housing Developers, 2009).

Profits had to be increased sharply to meet buildings’ debt burdens and investors’ expectation for high returns. The arrival of predatory equity in a building increases tenant harassment, rent hikes and poor housing conditions (Association of Neighborhood Housing Developers, 2009). These are proven methods for raising property values and extracting value from working class housing and tenants, and they have long been used by some Bronx landlords/slumlords. But these practices were supercharged, so to speak, and systematized by predatory equity firms.

The “discovery” of working class housing as “undervalued assets” (University Neighborhood Housing Partnership, 2009) by private equity firms and the high price of real estate elsewhere in the city led to new players entering working class housing markets, including firms from Los Angeles, Israel, and the UK. Some of the new owners were unfamiliar with the difficult world of managing rent-regulated housing, leading to foreclosures and very bad housing conditions. In the Bronx portfolio bought and then abandoned by Los Angeles-based Milbank Real Estate, terrible housing conditions triggered strong tenant organizing and outrage among policymakers. Sergio Cuevas’ entire apartment at 2785 Sedgwick Avenue was covered in mold and chunks of his ceiling collapsed because of a leaking steam pipe. His upstairs neighbor’s apartment was also covered in mold and her bathtub was sinking through the rotten floor (Yeebo, 2011).

There has been strong tenant organizing in response to this destructive investment, evoking some support for tenants from state institutions, showing that when market forces exploit tenants beyond what is widely accepted as normal, tenants can find points of leverage with the state. Organizers with the Northwest Bronx Community and Clergy Coalition and UHAB helped tenants in all ten of the Milbank buildings to organize and work collectively, and tenants were able pressure the mortgage holder through media reports and by working with HPD and elected officials. HPD bought the second mortgage on the property and offered to forgive it if the new

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<sup>89</sup> During the boom, predatory equity, like subprime lending, depended on questionable underwriting. Private equity firms paid inflated prices based on “‘frothy’ appraisals, gross overestimation of rental income and gross underestimation of operating expenses” (Fields, forthcoming). Some of the debt that financed predatory equity was securitized, contributing to the lack of oversight.

owner would negotiate with the tenants. Christine Quinn, the speaker of the City Council and a former housing organizer, actively supported the tenants in the media and in negotiations.

Through organizing and strategic work with their allies, the Milbank tenants were able to pressure the mortgage holder to write down the mortgage (taking a loss), so that the new owner would not be forced to use the same destructive strategies to cover the buildings' debt burden. This was especially difficult because the loan had been securitized and the mortgage holder was LNR Services, based in Florida. LNR saw itself as much more accountable to investors than to tenants. The mortgage was reduced enough to make competent management of the buildings possible, but it was not reduced enough to allow a non-profit organization to buy the buildings, as tenants would have preferred. In the west Bronx, plenty of for-profit firms are willing to buy these kinds of buildings at high prices that can only be justified by the prospect of raising rents, and non-profit organizations are generally not able to afford them.<sup>90</sup> The Milbank tenants were also able to extract concessions, including reduced rent increases, from the new owner, a longtime Bronx landlord who specializes in raising rents steadily but who is a competent property manager.

In the wake of the Milbank struggle and other activism around predatory equity, HPD formed the Proactive Preservation Initiative, which uses a range of data to preemptively identify deteriorating buildings and proactively address bad housing conditions with increased code enforcement, making low-cost loans available to owners, and transferring buildings to more responsible owners, depending on the situation. Predatory equity was at its most dramatic during the boom, but similar kinds of investment and exploitative practices continue. The mortgages of foreclosed buildings are being bought by firms that are financed through similar mechanisms, although buildings are not being overleveraged as severely as they were during the boom.

The problems of predatory equity show that practices of exploiting tenants and extracting value from buildings that are similar to the processes preceding abandonment in the 1970s continue today. But now these processes are triggered by the prospect of the rise of real estate markets, rather than their collapse. The extraction of value from working class housing appears similar for both short-term profits, as happened in the 1970s, and long-term appreciation, as is happening now. In both cases, profits depend on the exploitation and displacement of working class and poor tenants.<sup>91</sup> As of now, working class tenants are replaced by other working class tenants forced to pay higher rents, but in the future this strategy can be easily adapted for gentrification. And while predatory equity does not depend on gentrification, it encourages it by raising rents. Insofar as gentrification is based on these kinds of practices, it involves the abuse and displacement of poor and working class tenants. Displacement through lack of affordability is not a gentle process. Alienation of and violence against poor and working class tenants are part of the processes of gentrification.

Tenants' struggles against predatory equity also show that struggles for the de-alienation of

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<sup>90</sup> This is less true in other parts of the South Bronx. Banana Kelly was able to gain control of foreclosed overleveraged buildings on its home block (buildings originally owned by the Potts family; see chapter 2) with the help of LIHTC financing (Gonzalez, 2011; Bederman, 2012).

<sup>91</sup> Displacement is part of the strategy of predatory equity because high tenant turnover (encouraged by harassment) allows larger rent increases under the rent regulation laws.

working class housing also continue. Literal de-alienation, for example in the formation of tenant cooperatives (see chapter 2), is much more difficult today than it was in the 1970s. But South Bronx residents continue to try to assert control over their housing through organizing, both to pressure their landlords directly and to increase their own political power. The debate over whether working class housing should be provided through market mechanisms or protected from markets has also been renewed. And when for-profit landlords and market forces clearly abuse tenants, tenants are able to find openings for alliance with state institutions and politicians.

Finally, the travails of predatory equity tenants show that the displacement of working class tenants is enabled by their alienation from their housing and their alienation from the governance of their housing. Conversely, when tenants gain political clout through organizing and the legacy of previous struggles, they are more difficult to displace. The question for activists involved in the revitalization of the South Bronx is: will the legacy of revitalization make residents more, or less, vulnerable to displacement as gentrification and exploitative forms of investment expand to the South Bronx?

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